

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 22, 2010

**ENTERPRISE PRODUCTS PARTNERS L.P.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**1-14323**  
(Commission File Number)

**76-0568219**  
(I.R.S. Employer  
Identification No.)

**1100 Louisiana, 10<sup>th</sup> Floor, Houston, Texas**  
(Address of Principal Executive Offices)

**77002**  
(Zip Code)

Registrant's Telephone Number, including Area Code: **(713) 381-6500**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 1.01 Entry into a Material Definitive Agreement.**

***Distribution Waiver Agreement***

In connection with the closing of the Mergers described in Item 2.01 below, Enterprise Products Partners L.P., a Delaware limited partnership (the "Partnership"), has entered into a Distribution Waiver Agreement, dated as of November 22, 2010, by and among the Partnership, EPCO Holdings, Inc., and DFI Delaware Holdings, L.P., as the "EPD Unitholder" named therein (the "Distribution Waiver Agreement"). Under the Distribution Waiver Agreement, the EPD Unitholder has agreed to designate and waive its rights to regular quarterly distributions of "Available Cash," if any, with respect to a specified number of units representing limited partner interests in the Partnership ("Common Units") over a five-year period. The number of Common Units to which the waiver applies is as follows for distributions to be paid during the following periods: 30,610,000 Common Units during 2011; 26,130,000 Common Units during 2012; 23,700,000 Common Units during 2013; 22,560,000 Common Units during 2014; and 17,690,000 Common Units during 2015. EPCO Holdings, Inc. has agreed under the Distribution Waiver Agreement to perform certain obligations in the event the EPD Unitholder breaches its obligations under the agreement.

The description of the Distribution Waiver Agreement in this Item 1.01 is qualified in its entirety by reference to the full text of the Distribution Waiver Agreement, which is filed as Exhibit 10.1 hereto and incorporated herein by reference.

**Item 2.01 Completion of Acquisition or Disposition of Assets.**

The Partnership announced on November 22, 2010 the completion of its acquisition of Enterprise GP Holdings L.P., a Delaware limited partnership ("Holdings") pursuant to an Agreement and Plan of Merger, dated as of September 3, 2010 (the "MLP Merger Agreement"), by and among the Partnership, Enterprise Products GP, LLC, a Delaware limited liability company and the general partner of the Partnership prior to the effective time of the GP Merger (as defined below) ("Products GP"), Enterprise ETE LLC, a Delaware limited liability company and wholly owned subsidiary of the Partnership ("MergerCo"), Holdings and EPE Holdings, LLC, a Delaware limited liability company ("EPE Holdings"). In accordance with the MLP Merger Agreement, Holdings merged (the "MLP Merger") with and into MergerCo with MergerCo surviving the merger. The Partnership completed the MLP Merger following approval of the MLP Merger by a majority of the Holdings unitholders entitled to vote on November 22, 2010.

Pursuant to the MLP Merger Agreement and immediately prior to the effective time of the GP Merger, Holdings' previous partnership agreement was amended to provide for the transformation of the approximate 0.01% economic interest of the general partner in Holdings owned by EPE Holdings into 13,921 units representing limited partner interests in Holdings ("Holdings units"), representing an approximate 0.01% limited partner interest in Holdings and a non-economic general partner interest in Holdings (the "transformation") in accordance with the Fourth Amendment to the First Amended and Restated Agreement of Limited Partnership of Holdings.

Immediately following the transformation and pursuant to the Agreement and Plan of Merger, dated as of September 3, 2010 (the "GP Merger Agreement" and, together with the MLP Merger Agreement, the "Merger Agreements"), by and among Products GP, Holdings and EPE Holdings, Products GP (a wholly owned subsidiary of Holdings immediately prior to the GP Merger) merged with and into Holdings with Holdings surviving the merger, and succeeding Products GP as the general partner of the Partnership (the "GP Merger" and, together with the MLP Merger, the "Mergers").

Immediately following the GP Merger, at the effective time of the MLP Merger, Holdings merged with and into MergerCo with MergerCo surviving the merger as a wholly owned subsidiary of the Partnership. As a result of the MLP Merger and pursuant to the MLP Merger Agreement, EPE Holdings succeeded Holdings as the non-economic general partner of the Partnership and all outstanding units representing limited partner interests in Holdings (other than Holdings units held by Holdings, the Partnership or their respective subsidiaries) were cancelled and converted into the right to receive Common Units based on an exchange rate of 1.5 Common Units per Holdings unit. No fractional Common Units will be issued in the MLP Merger, and Holdings unitholders will, instead, receive cash in lieu of fractional Common Units, if any. The 21,563,177 Common Units previously held by Holdings became treasury units and were cancelled by the Partnership immediately following the MLP Merger.

The foregoing descriptions of the MLP Merger Agreement and the GP Merger Agreement are qualified in their entirety by reference to the full text of each, filed as Exhibits 2.1 and 2.2 hereto, respectively, and incorporated herein by reference.

**Item 3.03 Material Modification of Rights of Security Holders.**

On November 22, 2010, EPE Holdings, as successor general partner of the Partnership, entered into the Sixth Amended and Restated Agreement of Limited Partnership of the Partnership (the "Sixth Partnership Agreement") dated as of November 22, 2010. The Sixth Partnership Agreement provides for the cancellation of the incentive distribution rights of the Partnership previously held by Products GP and the general partner of the Partnership prior to the effective time of the GP Merger, the conversion of the two percent economic general partner interest in the Partnership into a non-economic general partner interest in the Partnership, the acceptance of EPE Holdings as the successor general partner of the Partnership and the elimination of certain legacy provisions. As a result of the cancellation of the incentive distribution rights, the general partner of the Partnership will no longer be entitled to the related portion of current or increased distributions of available cash by the Partnership as previously provided by these incentive distribution rights. As a result of the cancellation of the economic general partner interest in the Partnership, the general partner will also no longer be entitled to maintain an economic general partner interest in connection with issuances by the Partnership of additional common units and shall not be required to contribute funds to the Partnership in order to maintain such economic general partner interest. Accordingly, the changes included in the Sixth Partnership Agreement are not expected by the general partner to adversely affect the limited partners of the Partnership in any material respect.

The description of the Sixth Partnership Agreement in this Item 3.03 is qualified in its entirety by reference to the full text of the Sixth Partnership Agreement, which is filed as Exhibit 3.2 hereto and incorporated herein by reference.

**Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

On November 22, 2010, Dan Duncan LLC, as the sole member of EPE Holdings, appointed each of the prior directors of Products GP (Messrs. Creel, Teague, Barnett, Rampacek and Ross) as additional directors (the "New GP Directors") to the board of directors of EPE Holdings as the successor General Partner effective upon the closing of the Merger. Effective upon the closing of the Merger on November 22, 2010, Messrs. O. S. Andras and William Waycaster ceased to serve as directors of EPE Holdings. Effective upon the closing of the Merger, Dr. Cunningham was appointed Chairman of EPE Holdings, and the persons indicated below were also appointed as officers of EPE Holdings as the general partner of the Partnership. Accordingly, effective upon the closing of the Merger, the following persons were the directors and the executive officers of the successor general partner of the Partnership in the following capacities:

<b>Name</b>	<b>Age</b>	<b>Position with Enterprise GP</b>
Randa Duncan Williams	49	Director
Dr. Ralph S. Cunningham	70	Director (Chairman)
Richard H. Bachmann	57	Director
Thurmon M. Andress	77	Director
Charles E. McMahan (2,3)	71	Director
Edwin E. Smith	79	Director
Michael A. Creel (1)	56	Director, President and Chief Executive Officer
A. James Teague (1)	65	Director, Executive Vice President and Chief Operating Officer
E. William Barnett (2)	77	Director
Charles M. Rampacek	67	Director
Rex C. Ross (2)	67	Director
W. Randall Fowler (1)	54	Executive Vice President and Chief Financial Officer
William Ordemann (1)	51	Executive Vice President
Lynn L. Bourdon, III (1)	48	Senior Vice President
Bryan F. Bulawa (1)	41	Senior Vice President and Treasurer
James M. Collingsworth (1)	56	Senior Vice President
Stephanie C. Hildebrandt (1)	46	Senior Vice President, General Counsel and Secretary
Mark A. Hurley (1)	52	Senior Vice President
Michael J. Knesek (1)	56	Senior Vice President, Controller and Principal Accounting Officer
Christopher Skoog (1)	47	Senior Vice President
Thomas M. Zulim (1)	52	Senior Vice President

- (1) Executive officer  
(2) Member of ACG Committee  
(3) Chairman of ACG Committee

There were no arrangements or understandings between any of the New GP Directors and any other persons pursuant to which any New GP Director was selected as a director.

Upon consummation of the Merger, the Board of EPE Holdings appointed Mr. Andras as an honorary director. In such capacity, Mr. Andras is not entitled to vote as a director on any matters.

The following are biographies of each of the foregoing directors and executive officers of EPE Holdings as successor general partner of the Partnership upon the consummation of the Merger:

*Randa Duncan Williams*. Ms. Williams was elected a director of EPE Holdings in May 2007. She was elected Chairman of Enterprise Products Company ("EPCO") in May 2010, having previously served as Group Co-Chairman since 1994. Ms. Williams has served as a director of EPCO since February 1991. Prior to joining EPCO in

1994, Ms. Williams practiced law with the firms Butler & Binion and Brown, Sims, Wise & White. She currently serves on the boards of directors of Encore Bancshares and Encore Bank and also serves on the board of trustees for numerous charitable organizations.

*Dr. Ralph S. Cunningham.* Dr. Cunningham was elected a director of EPE Holdings in August 2007 and as Chairman of the Board upon consummation of the MLP Merger. Dr. Cunningham served as the President and CEO of EPE Holdings from August 2007 until November 2010. He served as a director of Products GP from February 2006 to May 2010, having previously served as a director of Products GP from April 1998 until March 2005. In addition to these duties, Dr. Cunningham served as Group Executive Vice President and Chief Operating Officer of Products GP from December 2005 to August 2007 and Interim President and Interim CEO from June 2007 to August 2007. Dr. Cunningham retired in 1997 from CITGO Petroleum Corporation, where he served as President and CEO since 1995. Dr. Cunningham also served as a director of Texas Eastern Products Pipeline Company, LLC ("TEPPCO GP") from March 2005 until November 2005.

Dr. Cunningham was elected Vice Chairman of EPCO in May 2010 and a director in March 2006, having previously served as Group Vice Chairman of EPCO from December 2007 to May 2010 and as a director of EPCO from 1987 to 1997. He serves as a director of Tetra Technologies, Inc. and Agrium, Inc. In addition, Dr. Cunningham serves as a director and the Chairman of the Safety, Health and Responsibility Committee of Cenovus Energy Inc. Dr. Cunningham retired in 1997 from CITGO Petroleum Corporation, where he served as President and CEO since 1995. Dr. Cunningham also served as a director of LE GP, LLC (the general partner of Entergy Transfer Equity, L.P.) from December 2009 to November 2010.

*Richard H. Bachmann.* Mr. Bachmann served as Executive Vice President and Chief Legal Officer of Products GP from February 1999 until November 2010 and served as Secretary of Products GP from November 1999 until November 2010. He previously served as a director of Products GP from June 2000 to January 2004 and from February 2006 to May 2010. Mr. Bachmann served as Executive Vice President of EPE Holdings from April 2005 until November 2010, and has served as a director of EPE Holdings since February 2006. He previously served as Chief Legal Officer and Secretary of EPE Holdings from April 2005 to May 2010.

Mr. Bachmann was elected President and CEO of EPCO in May 2010 and has served as a director since January 1999 and as Chief Legal Officer since May 1999. He previously served as Secretary of EPCO from May 1999 to May 2010 and as a Group Vice Chairman of EPCO from December 2007 to May 2010. Mr. Bachmann served as a director of DEP GP from October 2006 to May 2010 and as President and Chief Executive Officer of DEP GP from October 2006 to April 2010. In November 2006, Mr. Bachmann was appointed as an independent manager of Constellation Energy Partners LLC. Mr. Bachmann also serves as a member of the Audit, Compensation and Nominating and Governance Committees of Constellation Energy Partners LLC and as the Chairman of its Conflicts Committee.

*Thurmon M. Andress.* Mr. Andress was elected a director of EPE Holdings in November 2006. Mr. Andress serves as the Managing Director — Houston for Breitburn Energy Company L.P. and is a former member of its Board of Directors. In 1990, he founded Andress Oil & Gas Company, serving as its President and CEO until it merged with Breitburn Energy Company L.P. in 1998. In 1982, he founded Bayou Resources, Inc. a publicly traded energy company that was sold in 1987. From 2002 through December 2009, Mr. Andress served as a member of the Board of Directors of Edge Petroleum Corp. (including its Governance and Compensation Committees). In October 2009, Edge Petroleum Corp. filed a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code and, on December 31, 2009, completed the sale of substantially all of its assets to Mariner Energy, Inc. Mr. Andress is currently a member of the National Petroleum Council (including its Board) and serves on the Board of Governors of Houston for the Independent Petroleum Association of America. In 1993, Mr. Andress was inducted into All American Wildcatter's, a 100-member organization dedicated to American oil and gas explorationists and producers.

*Charles E. McMahan.* Mr. McMahan was elected a director of EPE Holdings in August 2005 and serves as Chairman of its Audit, Conflicts and Governance Committee. Mr. McMahan served as Vice Chairman of Compass Bank from March 1999 until December 2003 and served as Vice Chairman of Compass Bancshares from April 2001 until his retirement in December 2003. Mr. McMahan also served as Chairman and CEO of Compass Banks of Texas from March 1990 until March 1999. Mr. McMahan has served as a director of Compass Bancshares, and its successor, BBVA Compass Bank, since 2001. He also served as chairman of the Board of Regents of the University of Houston from September 1998 to August 2000.

*Edwin E. Smith.* Mr. Smith was elected a director of EPE Holdings in August 2005. Mr. Smith has been a private investor since he retired from Allied Bank of Texas in 1989 after a 31-year career in banking. Mr. Smith serves as a director of Encore Bank and previously served as a director of EPCO from 1987 until 1997.

*Michael A Creel.* Mr. Creel was elected President and CEO and a director of EPE Holdings upon the consummation of the Merger. He served as a director of Products GP from February 2006 to November 2010 and President and CEO of Products GP from August 2007 to November 2010. Mr. Creel served as Chief Financial Officer of Products GP from June 2000 to August 2007, and as an Executive Vice President of Products GP from January 2001 to August 2007. Mr. Creel, a Certified Public Accountant, also served as a Senior Vice President of Products GP from November 1999 to January 2001.

In May 2010, Mr. Creel was elected Vice Chairman of EPCO, having previously served as Group Vice Chairman and Chief Financial Officer of EPCO since December 2007. Prior to these elections, Mr. Creel served as EPCO's Chief Operating Officer from April 2005 to December 2007 and as its Chief Financial Officer from June 2000 to April 2005. He has served as a Director of EPCO since December 2007. Mr. Creel previously served as a director of EPE Holdings from October 2009 to May 2010 and as a director of DEP GP from October 2006 to May 2010. He previously served as President, CEO and a director of EPE Holdings from August 2005 through August 2007. From October 2006 to August 2007, he served as Executive Vice President and Chief Financial Officer of DEP GP. From October 2005 through December 2009, Mr. Creel served as a director of Edge Petroleum Corporation, a publicly traded oil and natural gas exploration and production company, which filed a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code in October 2009 and, on December 31, 2009, completed the sale of substantially all of its assets to Mariner Energy, Inc.

*A. James Teague.* Mr. Teague was elected Executive Vice President and Chief Operating Officer and a director of EPE Holdings upon the consummation of the Merger. He served as Executive Vice President of Products GP from November 1999 to November 2010 and additionally as a director from July 2008 to November 2010 and as Chief Operating Officer from September 2010 to November 2010. In addition, he served as Products GP's Chief Commercial Officer from July 2008 until September 2010. He has served as Executive Vice President and Chief Commercial Officer of DEP GP since July 2008. He previously served as a director of DEP GP from July 2008 to May 2010 and as a director of EPE Holdings from October 2009 to May 2010. Mr. Teague joined the Partnership in connection with its purchase of certain midstream energy assets from affiliates of Shell Oil Company in 1999. From 1998 to 1999, Mr. Teague served as President of Tejas Natural Gas Liquids, LLC, then an affiliate of Shell. From 1997 to 1998, he was President of Marketing and Trading for Mapco Inc.

*E. William Barnett.* Mr. Barnett was elected a director of EPE Holdings upon the consummation of the Merger and is a member of its Audit, Conflicts and Governance Committee. He served as a director of Products GP from March 2005 to November 2010, and he served as Chairman of its Audit, Conflicts and Governance Committee. Mr. Barnett practiced law with Baker Botts L.L.P. from 1958 until his retirement in 2004. In 1984, he became Managing Partner of Baker Botts L.L.P. and continued in that role for 14 years until 1998. He was Senior Counsel to the firm from 1998 until June 2004, when he retired from the firm. Mr. Barnett served as Chairman of the Board of Trustees of Rice University from 1996 to July 2005.

Mr. Barnett is a Life Trustee of The University of Texas Law School Foundation; a director of St. Luke's Episcopal Hospital; and a director Emeritus and former Chairman of the Houston Zoo, Inc. (the operating arm of the Houston Zoo). He is a director of RRI Energy, Inc. (a publicly traded electric services company) and Westlake Chemical Corporation (a publicly traded chemical company). Mr. Barnett is Chairman of the Advisory Board of the Baker Institute for Public Policy at Rice University and a director Emeritus and former Chairman of the Greater Houston Partnership. Mr. Barnett served as a Trustee of the Baylor College of Medicine from 1993 until 2004.

*Charles M. Rampacek.* Mr. Rampacek was elected a director of EPE Holdings upon the consummation of the Merger. He served as a director of Products GP from October 2006 to November 2010 and was a member of its Audit, Conflicts and Governance Committee. Mr. Rampacek is currently a business and management consultant in the energy industry. Mr. Rampacek served as Chairman, CEO and President of Probex Corporation ("Probex"), an energy technology company that developed a proprietary used oil recovery process, from 2000 until his retirement in 2003. Prior to joining Probex, Mr. Rampacek was President and CEO of Lyondell-Citgo Refining L.P., a manufacturer of petroleum products, from 1996 through 2000. From 1982 to 1995, he held various executive positions with Tenneco Inc. and its energy-related subsidiaries, including President of Tenneco Gas Transportation Company, Executive Vice President of Tenneco Gas Operations and Senior Vice President of Refining and Supply.

Mr. Rampacek also spent 16 years with Exxon Company USA, where he held various supervisory and management positions. Mr. Rampacek has been a director of Flowserve Corporation since 1998 and is a member of its Audit Committee and its Organization and Compensation Committee. Mr. Rampacek also serves as a director of Cenovus Energy Inc. (a Canadian publicly traded oil company).

In 2005, two complaints requesting recovery of certain costs were filed against former officers and directors of Probex as a result of the bankruptcy of Probex in 2003. These complaints were defended under Probex's director and officer insurance with American International Group, Inc. ("AIG") and settlement was reached and paid by AIG with bankruptcy court approval in the first half of 2006. An additional complaint was filed in 2005 against noteholders of certain Probex debt of which Mr. Rampacek was one. A settlement of \$2,000 was reached and approved by the bankruptcy court in the first half of 2006.

*Rex C. Ross.* Mr. Ross was elected a director of EPE Holdings upon the consummation of the Merger and is a member of its Audit, Conflicts and Governance Committee. He served as a director of Products GP from October 2006 to November 2010 and was a member of its Audit, Conflicts and Governance Committee. Until July 2009, Mr. Ross served as a director of Schlumberger Technology Corporation, the holding company for all Schlumberger Limited assets and entities in the United States. Prior to his executive retirement from Schlumberger Limited in May 2004, Mr. Ross held a number of executive management positions during his 11-year career with the company, including President of Schlumberger Oilfield Services North America; President, Schlumberger GeoQuest; and President of SchlumbergerSema North & South America. Mr. Ross also serves on the Board of Directors of Gulfmark Offshore, Inc. (a publicly traded offshore marine services company) and is a member of its Governance Committee.

*W. Randall Fowler.* Mr. Fowler was elected Executive Vice President and Chief Financial Officer of EPE Holdings in August 2007 and previously served as Executive Vice President and Chief Financial Officer of Products GP from August 2007 to November 2010. He was also elected President and CEO of DEP GP in April 2010, having previously served as Executive Vice President and Chief Financial Officer of DEP GP since August 2007. He has served as a director of DEP GP since September 2006. Mr. Fowler served as Senior Vice President and Treasurer of Products GP from February 2005 to August 2007 and of DEP GP from October 2006 to August 2007. Mr. Fowler also previously served as a director of Products GP and of EPE Holdings from February 2006 to May 2010. Mr. Fowler also served as Senior Vice President and Chief Financial Officer of EPE Holdings from August 2005 to August 2007.

Mr. Fowler was elected Vice Chairman and Chief Financial Officer of EPCO in May 2010 and has served as a director since December 2007. He previously served as President and CEO of EPCO from December 2007 to May 2010 and as Chief Financial Officer from April 2005 to December 2007. Mr. Fowler, a Certified Public Accountant (inactive), joined the Partnership as Director of Investor Relations in January 1999. Mr. Fowler also serves as Chairman of the Board of the National Association of Publicly Traded Partnerships.

*William Ordemann.* Mr. Ordemann was elected Executive Vice President of EPE Holdings in August 2007. He also served as Products GP's Chief Operating Officer from August 2007 until September 2010 and as its Executive Vice President from August 2007 to November 2010. He was also elected an Executive Vice President of DEP GP in August 2007. He previously served as a Senior Vice President of Products GP from September 2001 to August 2007 and was a Vice President of Products GP from October 1999 to September 2001. Mr. Ordemann joined the Partnership in connection with its purchase of certain midstream energy assets from affiliates of Shell Oil Company in 1999. Prior to joining the Partnership, he was a Vice President of Shell Midstream Enterprises, LLC from January 1997 to February 1998, and Vice President of Tejas Natural Gas Liquids, LLC from February 1998 to September 1999.

*Lynn L. Bourdon, III.* Mr. Bourdon was elected as Senior Vice President, Supply & Marketing of EPE Holdings upon the consummation of the Merger. He served as Senior Vice President, Supply & Marketing of Products GP from 2004 to November 2010 after serving as Senior Vice President and Chief Commercial Officer with Orion Refining Corporation and as a Partner in En\*Vantage, Inc. Prior to that time, Mr. Bourdon was Senior Vice President of Commercial Operations for PG&E Gas Transmission and Vice President, NGL Marketing & Development at the predecessor company, Valero. Earlier in his career, Mr. Bourdon served 12 years with Dow Chemical Company in the engineering, business and commercial areas.

*Bryan F. Bulawa.* Mr. Bulawa was elected Senior Vice President and Treasurer of EPE Holdings in October 2009 and Senior Vice President, Chief Financial Officer and Treasurer of DEP GP in April 2010. He previously served as Senior Vice President and Treasurer of Products GP from October 2009 to November 2010, as Senior Vice President and Treasurer of DEP GP from October 2009 to April 2010, and as Vice President and Treasurer of Products GP from July 2007 to October 2009. He has also served as Senior Vice President and Treasurer of EPCO since May 2010. Prior to joining the Partnership, Mr. Bulawa spent 13 years at Scotia Capital, where he served as director of the firm's U.S. Energy Corporate Finance and Distribution group.

*James M. Collingsworth.* Mr. Collingsworth was elected Senior Vice President of EPE Holdings upon the consummation of the Merger. He served as Vice President of Products GP from November 2001 to November 2002 and Senior Vice President from November 2002 until November 2010. Previously, he served as a board member of Texaco Canada Petroleum Inc. from July 1998 to October 2001 and was employed by Texaco from 1991 to 2001 in various management positions, including Senior Vice President of NGL Assets and Business Services from July 1998 to October 2001. Prior to joining Texaco, Mr. Collingsworth was director of feedstocks for Rexene Petrochemical Company from 1988 to 1991 and served in the MAPCO, Inc. organization from 1973 to 1988 in various capacities including customer service and business development manager of the Mid-America and Seminole pipelines.

*Stephanie C. Hildebrandt.* Ms. Hildebrandt was elected as Senior Vice President and General Counsel of EPE Holdings in May 2010 and served as Senior Vice President and General Counsel of Products GP from May 2010 to November 2010. Ms. Hildebrandt has also served as Senior Vice President, Chief Legal Officer and Secretary of DEP Holdings since April 2010, having previously served as Vice President and General Counsel of Products GP since October 2009, as Vice President and Deputy General Counsel of Products GP from 2006 to 2009, and as Deputy General Counsel of Products GP from 2004 to 2006. Prior to joining the Partnership, Mr. Hildebrandt practiced law for three years at El Paso Corporation and for 12 years at Texaco Inc.

*Mark A. Hurley.* Mr. Hurley was elected as Senior Vice President, Crude Oil & Offshore, upon consummation of the Merger. He previously served as Senior Vice President, Crude Oil & Offshore, for Products GP from March 2010 to November 2010. Prior to joining the Partnership, Mr. Hurley was a Shell employee and recently served as President of Shell Pipeline Company, a crude oil, refined products and natural gas energy storage and transportation company. Mr. Hurley began his career with Shell in process engineering positions at refineries in Louisiana and California. During his tenure with Shell, he held key leadership roles in refinery and lubricant plant operations, marketing, sales, product supply planning and trading, with both U.S. and global responsibilities. As President of Shell Pipeline Company for five years, Mr. Hurley had ultimate responsibility for profitability, operations, strategy, business development and capital project development.

*Michael J. Knesek.* Mr. Knesek, a Certified Public Accountant, was elected a Senior Vice President of EPE Holdings in August 2005. From February 2005 to November 2010, Mr. Knesek served as Senior Vice President of Products GP, having previously served as a Vice President of Products GP since August 2000. Mr. Knesek has been the Principal Accounting Officer and Controller of EPE Holdings since August 2005 and of DEP GP since September 2006. He served as the Principal Accounting Officer and Controller of Products GP from August 2000 to November 2010. He has served as Senior Vice President of DEP GP since September 2006. Mr. Knesek has been the Controller of EPCO since 1990 and currently serves as one of its Senior Vice Presidents.

*Christopher R. Skoog.* Mr. Skoog was elected Senior Vice President of EPE Holdings upon consummation of the Merger. He joined the Partnership in July 2007 as Senior Vice President of Products GP to develop and lead the Partnership's Natural Gas Services and Marketing group. In July 2008, he also assumed responsibility for the Partnership's non-regulated and intrastate natural gas pipeline and storage businesses. From 1995 to July 2007, he served in various executive positions at ONEOK, Inc. and ONEOK Partners L.P. He led ONEOK Energy Services from 1995 to 2005, and held senior executive positions at ONEOK from 2005 to 2007.

*Thomas M. Zulim.* Since July 2008, Mr. Zulim has served as a Senior Vice President of EPCO, and was elected Senior Vice President of EPE Holdings upon consummation of the Merger, with responsibility for the Partnership's unregulated NGL business. Mr. Zulim previously served as a Senior Vice President of Products GP from July 2008 to November 2010. From March 2006 to July 2008, Mr. Zulim served as Senior Vice President, Human Resources, for both Products GP and EPCO, and served as Vice President, Human Resources, for both Products GP and EPCO from December 2004 to March 2006. He joined EPCO in 1999 as Director of Business Management for the NGL Fractionation business. Mr. Zulim came to EPCO from Shell Oil Company where, as an



attorney, he practiced labor and employment law nationally for several years before joining Shell Midstream Enterprises in 1996 as Director of Business Development for its natural gas processing and NGL fractionation businesses. Mr. Zulim resumed practicing law with EPCO's legal group in January 2002 until December 2004.

**Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.**

***Amendment No. 5 to the Fifth Amended and Restated Agreement of Limited Partnership of the Partnership***

In connection with the closing of the Mergers, on November 22, 2010, immediately prior to the effective time of the GP Merger, Holdings, as successor general partner of the Partnership, entered into Amendment No. 5 to the Fifth Amended and Restated Agreement of Limited Partnership ("Amendment No. 5") of the Partnership. Amendment No. 5 admitted Holdings as the general partner of the Partnership immediately prior to the effective time of the GP Merger.

The description of Amendment No. 5 in this Item 5.03 is qualified in its entirety by reference to the full text of Amendment No. 5, which is filed as Exhibit 3.1 hereto and incorporated herein by reference.

***Sixth Amended and Restated Agreement of Limited Partnership of the Partnership***

In connection with the closing of the Mergers, on November 22, 2010, immediately prior to the effective time of the MLP Merger, EPE Holdings, as successor general partner of the Partnership, entered into the Sixth Partnership Agreement dated as of November 22, 2010. The Sixth Partnership Agreement provides for the cancellation of the incentive distribution rights of the Partnership previously held by Products GP, the general partner of the Partnership prior to the effective time of the GP Merger, the conversion of the two percent economic general partner interest in the Partnership into a non-economic general partner interest in the Partnership, the acceptance of EPE Holdings as the successor general partner of the Partnership and the elimination of certain legacy provisions.

The description of the Sixth Partnership Agreement in this Item 5.03 is qualified in its entirety by reference to the full text of the Sixth Partnership Agreement, which is filed as Exhibit 3.2 hereto and incorporated herein by reference.

***Fourth Amended and Restated Limited Liability Company Agreement of EPE Holdings, LLC***

In connection with the Mergers, on November 22, 2010, Dan Duncan LLC, the sole member of EPE Holdings, entered into the Fourth Amended and Restated Limited Liability Company Agreement of EPE Holdings (the "LLC Agreement"). The LLC Agreement provides for the establishment of an "Audit and Conflicts Committee" to approve certain matters with respect to the general partner and the Partnership, and the submission of certain matters to the Audit and Conflicts Committee upon similar terms and conditions as set forth in the limited liability company agreement of Products GP, the general partner of the Partnership prior to the GP Merger, as required by the Fifth Amended and Restated Agreement of Limited Partnership of the Partnership, as amended, and the Sixth Partnership Agreement.

The description of the LLC Agreement in this Item 5.03 is qualified in its entirety by reference to the full text of the LLC Agreement, which is filed as Exhibit 3.3 hereto and incorporated herein by reference.

***Amendments to LLC Agreement and Certificate of Formation of EPE Holdings to Change Name***

On November 22, 2010, after the consummation of the Merger, EPE Holdings filed a Certificate of Amendment to Certificate of Formation of EPE Holdings, LLC to change the name of EPE Holdings to "Enterprise Products Holdings LLC". The sole member of EPE Holdings also executed the First Amendment to the LLC Agreement reflect the name change. Copies of the First Amendment to the LLC Agreement and the Certificate of Amendment to Certificate of Formation of EPE Holdings are filed as Exhibits 3.4 and 3.5 hereto, respectively, and incorporated herein by reference.

## ***Amendment to Certificate of Limited Partnership of the Partnership to Change General Partner***

On November 22, 2010, after the consummation of the Merger and the change in name of EPE Holdings to Enterprise Products Holdings LLC, the Partnership filed a Certificate of Amendment to Certificate of Limited Partnership of the Partnership to change the change the sole general partner of the Partnership to Enterprise Products Holdings LLC. A copy of the Certificate of Amendment to Certificate of Limited Partnership of the Partnership is filed as Exhibit 3.6 hereto, respectively, and incorporated herein by reference.

### **Item 7.01 Regulation FD Disclosure.**

On November 22, 2010, the Partnership issued a joint press release with Holdings announcing the approval by the Holdings unitholders of the MLP Merger. Approximately 99% of the Holdings units that voted were cast in favor of the merger and represented approximately 85% of Holdings' total outstanding units. A copy of the joint press release is filed as Exhibit 99.1 hereto and is incorporated herein by reference.

On November 22, 2010, the Partnership also issued a joint press release with Holdings announcing the closing of the Mergers. A copy of the joint press release is filed as Exhibit 99.5 hereto and is incorporated herein by reference.

The information furnished pursuant to Item 7.01 in this Current Report on Form 8-K, including Exhibits 99.1 and 99.5, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to the liability of that section, unless the Partnership specifically states that the information is considered "filed" under the Exchange Act or incorporates it by reference into a filing under the Securities Act of 1933 or the Exchange Act.

### **Item 8.01 Other Events.**

A restated set of Risk Factors for the Partnership after giving effect to the MLP Merger is included as Exhibit 99.2 to this Form 8-K and incorporated herein by reference.

### **Item 9.01 Financial Statements and Exhibits.**

(a) *Financial Statements of Business Acquired.* The audited consolidated financial statements of Holdings for the years ended December 31, 2009, 2008 and 2007 are incorporated herein by reference to Exhibit 99.3 to this Form 8-K.

The unaudited financial statements of Holdings for the nine months ended September 30, 2010 will be filed within 71 days after the closing on Form 8-K/A in accordance with Item 9.01(a) of Form 8-K.

(b) *Pro Forma Financial Information.* On November 10, 2010, the Partnership filed on Form 8-K the pro forma financial information required by Item 9.01(b) of Form 8-K and Article 11 of Regulation S-X. The pro forma financial information included under Item 9.01 of the Partnership's Form 8-K filed on November 10, 2010 is incorporated into this Item 9.01 by reference.

(d) *Exhibits.*

<u>Exhibit No.</u>	<u>Description</u>
2.1	Agreement and Plan of Merger, dated as of September 3, 2010, by and among Enterprise Products Partners L.P., Enterprise Products GP, LLC, Enterprise ETE LLC, Enterprise GP Holdings L.P. and EPE Holdings, LLC (incorporated by reference to Exhibit 2.1 to Form 8-K filed September 7, 2010).
2.2	Agreement and Plan of Merger, dated as of September 3, 2010, by and among Enterprise Products GP, LLC, Enterprise GP Holdings L.P. and EPE Holdings, LLC (incorporated by reference to Exhibit 2.2 to Form 8-K filed September 7, 2010).
3.1#	Amendment No. 5 to the Fifth Amended and Restated Agreement of Limited Partnership of Enterprise Products Partners L.P. dated effective as of November 22, 2010.
3.2#	Sixth Amended and Restated Agreement of Limited Partnership of Enterprise Products Partners L.P., dated effective as of November 22, 2010.
3.3#	Fourth Amended and Restated Limited Liability Company Agreement of EPE Holdings, LLC, dated effective as of November 22, 2010.

3.4#	First Amendment to Fourth Amended and Restated Limited Liability Company Agreement of EPE Holdings, LLC, dated effective November 22, 2010 (changing name to Enterprise Products Holdings LLC).
3.5#	Certificate of Amendment to Certificate of Formation of EPE Holdings, LLC, filed on November 22, 2010 with the Delaware Secretary of State.
3.6#	Certificate of Amendment to Certificate of Limited Partnership of Enterprise Products Partners L.P., filed on November 22, 2010 with the Delaware Secretary of State.
10.1#	Distribution Waiver Agreement, dated as of November 22, 2010, by and among Enterprise Products Partners L.P., EPCO Holdings, Inc. and the EPD Unitholder named therein.
23.1#	Consent of Deloitte & Touche LLP.
23.2#	Consent of Grant Thornton LLP.
99.1#	Joint Press Release regarding the merger vote dated November 22, 2010.
99.2#	Risk Factors of Enterprise Products Partners L.P.
99.3#	Consolidated balance sheets of Enterprise GP Holdings L.P. as of December 31, 2009 and 2008, and the related statements of consolidated operations, comprehensive income, cash flows, and equity for the years ended December 31, 2009, 2008 and 2007.
99.4#	Consolidated balance sheets of Energy Transfer Equity, L.P. and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of operations, comprehensive income, equity, and cash flows for the years ended December 31, 2009 and 2008, the four months ended December 31, 2007, and the year ended August 31, 2007.
99.5#	Joint Press Release regarding merger closing dated November 22, 2010.
101.CAL#	XBRL Calculation Linkbase Document.
101.DEF#	XBRL Definition Linkbase Document.
101.INS#	XBRL Instance Document.
101.LAB#	XBRL Labels Linkbase Document.
101.PRE#	XBRL Presentation Linkbase Document.
101.SCH#	XBRL Schema Document.

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# Filed herewith

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

ENTERPRISE PRODUCTS PARTNERS L.P.

By: ENTERPRISE PRODUCTS HOLDINGS LLC  
(formerly named EPE Holdings, LLC),  
its General Partner

Date: November 23, 2010

By: /s/ Michael J. Knesek  
Name: Michael J. Knesek  
Title: Senior Vice President, Controller and Principal  
Accounting Officer of the General Partner

**Exhibit Index**

<u>Exhibit No.</u>	<u>Description</u>
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# Filed herewith



**AMENDMENT NO. 5 TO THE FIFTH AMENDED AND RESTATED  
AGREEMENT OF LIMITED PARTNERSHIP OF  
ENTERPRISE PRODUCTS PARTNERS L.P.**

This Amendment No. 5 (this "Amendment No. 5") to the Fifth Amended and Restated Agreement of Limited Partnership of Enterprise Products Partners L.P. dated effective as of November 22, 2010 (the "Partnership Agreement") is hereby adopted by Enterprise GP Holdings L.P., a Delaware limited partnership (the "Successor General Partner"), as general partner of the Partnership. Capitalized terms used but not defined herein are used as defined in the Partnership Agreement.

**RECITALS**

WHEREAS, Section 13.1(b) of the Partnership Agreement provides that the General Partner, without the approval of any Partner or Assignee, may amend any provision of the Partnership Agreement to reflect the admission, substitution, withdrawal or removal of Partners in accordance with the Partnership Agreement; and

WHEREAS, Section 4.6(b) of the Partnership Agreement provides that, subject to certain restrictions, the General Partner may transfer all or any of its General Partner Interest without Unitholder approval; and

WHEREAS, the Partnership has entered into an Agreement and Plan of Merger, dated as of September 3, 2010 (the "GP Merger Agreement"), by and among Enterprise Products GP, LLC (the "Predecessor General Partner"), the Successor General Partner and EPE Holdings, LLC, pursuant to which, among other things, (i) the Successor General Partner's limited liability company interests in the Predecessor General Partner will be cancelled and the Predecessor General Partner will merge with and into the Successor General Partner, with the Successor General Partner surviving the merger, and (ii) the Successor General Partner hereby agrees to assume the rights and duties of the General Partner under the Partnership Agreement and to be bound by the provisions of the Partnership Agreement; and

WHEREAS, the Partnership has received an Opinion of Counsel that the transfer of the General Partner Interest to the Successor General Partner will not result in the loss of limited liability of any Limited Partner or of any member of the Operating Partnership or cause the Partnership or the Operating Partnership to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not already so treated or taxed); and

WHEREAS, the Predecessor General Partner is not a general partner or managing member of any other Group Member; and

WHEREAS, an affiliate of EPCO controls the Successor General Partner and the organizational documents of the Successor General Partner provide for the establishment of an "Audit and Conflicts Committee" to approve certain matters with respect to the General Partner and the Partnership, the selection of "Independent Directors" as members of such Audit and Conflicts Committee, and the submission of certain matters to the vote of such Audit and Conflicts Committee upon similar terms and conditions as set forth in the limited liability company agreement of the Predecessor General Partner, as the same existed as of the date of the Partnership Agreement so as to provide the Limited Partners and the Successor General Partner with the same rights and obligations as are contained in the Partnership Agreement.

NOW, THEREFORE, the Successor General Partner does hereby amend the Partnership Agreement effective as of the Effective Time of the merger of the Predecessor General Partner with and into the Successor General Partner as follows:

Section 1. **AMENDMENTS.**

(a) **Section 1.1 and Attachment 1.** Section 1.1 and the definitions listed on Attachment I are hereby amended to amend and restate, the following definition:

"General Partner" means Enterprise GP Holdings L.P., a Delaware limited partnership, and its successors and permitted assigns as general partner of the Partnership.

(b) Section 5.1. Section 5.1 is hereby amended and restated to read in its entirety as follows:

Prior to the date hereof, the predecessor general partner of the Partnership made certain Capital Contributions to the Partnership in exchange for an interest in the Partnership and was admitted as the general partner of the Partnership, and DFI made certain Capital Contributions to the Partnership in exchange for an interest in the Partnership and was admitted as a Limited Partner of the Partnership. As of the date hereof, the General Partner Interest of the predecessor general partner is hereby assumed by the General Partner as successor by merger to Enterprise Products GP, LLC, the General Partner is hereby admitted to the Partnership as the general partner of the Partnership effective immediately prior to such merger, and the Partnership is continued without dissolution.

Section 2. **RATIFICATION OF PARTNERSHIP AGREEMENT.** Except as expressly modified and amended herein, all of the terms and conditions of the Partnership Agreement shall remain in full force and effect.

Section 3. **GOVERNING LAW.** This Amendment No. 5 will be governed by and construed in accordance with the laws of the State of Delaware.

Section 4. **COUNTERPARTS.** This Amendment No. 5 may be executed in counterparts, all of which together shall constitute an agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart.



IN WITNESS WHEREOF, this Amendment No. 5 has been executed as of the date first written above.

General Partner:

ENTERPRISE GP HOLDINGS L.P.

By: EPE HOLDINGS, LLC, its  
general partner

By: /s/ Ralph S. Cunningham  
Dr. Ralph S. Cunningham  
President and Chief Executive  
Officer

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SIXTH AMENDED AND RESTATED  
AGREEMENT OF LIMITED PARTNERSHIP  
OF  
ENTERPRISE PRODUCTS PARTNERS L.P.

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**EXHIBITS**

Exhibit A - Form of Class B Unit Certificate

**SIXTH AMENDED AND RESTATED AGREEMENT OF LIMITED  
PARTNERSHIP OF ENTERPRISE PRODUCTS PARTNERS L.P.**

THIS SIXTH AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF ENTERPRISE PRODUCTS PARTNERS L.P., dated effective as of November 22, 2010, is entered into by and among EPE Holdings, LLC, a Delaware limited liability company, as the General Partner, and the Limited Partners as provided herein.

WHEREAS, the Partnership, the General Partner, Enterprise Products GP, LLC, Enterprise ETE LLC ("MergerCo"), and Enterprise GP Holdings L.P., a Delaware limited partnership ("Holdings"), entered into an Agreement and Plan of Merger, dated as of September 3, 2010 (the "Holdings Merger Agreement"), providing, among other things, the merger of Holdings with and into MergerCo, with MergerCo surviving the Merger (the "Holdings Merger"), and each unit representing limited partner interests in Holdings being converted into the right to receive 1.5 Common Units (as defined herein) and the general partner interest in Holdings being converted into the right to receive the General Partner Interest in the Partnership (as held by Holdings immediately prior to the Holdings Merger, as amended by this Agreement); and

WHEREAS, this Agreement amends the Fifth Amended and Restated Agreement of Limited Partnership of the Partnership, as amended prior to the date hereof (the "Prior Partnership Agreement"), effective as of the Effective Time (as defined in the Holdings Merger Agreement), to reflect, among other things, (i) the consolidation of previous amendments into one document, (ii) the conversion of the General Partner Interest of the Predecessor General Partner (as defined herein) into a non-economic management interest in the Partnership and cancellation of the rights of the Predecessor General Partner to Incentive Distributions (as defined in the Prior Partnership Agreement), and amendment of the distribution and allocation provisions after giving effect to the same, (iii) the assignment and assumption of the General Partner Interest, and the admission of EPE Holdings, LLC as the current General Partner of the Partnership effective immediately prior to the transfer of the General Partner Interest effected pursuant to the Holdings Merger in accordance with Section 4.6(c) and Section 10.3 and the continuation of the Partnership without dissolution.

In consideration of the covenants, conditions and agreements contained herein, the parties hereto hereby agree as follows:

**ARTICLE I  
DEFINITIONS**

1.1 *Definitions.* The definitions listed on Attachment I shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement.

1.2 *Construction.* Unless the context requires otherwise: (a) any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa; (b) references to Articles and Sections refer to Articles and Sections of this Agreement; and (c) "include" or "includes" means includes, without limitation, and "including" means including, without limitation.

**ARTICLE II  
ORGANIZATION**

2.1 *Formation.* The Partnership has been previously formed as a limited partnership pursuant to the provisions of the Delaware Act. The General Partner and the Limited Partners hereby amend and restate in its entirety the Agreement of Limited Partnership of Enterprise Products Partners L.P., dated April 9, 1998, as amended by that certain First Amendment to Agreement of Limited Partnership of Enterprise Products Partners L.P., dated as of June 1, 1998, as amended by that certain Amended and Restated Agreement of Limited Partnership of Enterprise Products Partners L.P., dated as of July 31, 1998, as amended by that certain Second Amended and Restated Agreement of Limited Partnership of Enterprise Products Partners L.P., dated September 17, 1999, as amended by Amendment No. 1, dated as of June 9, 2000, to the Second Amended and Restated Agreement of Limited Partnership of Enterprise Products Partners L.P., as amended by that certain Third Amended and Restated Agreement of Limited Partnership of Enterprise Products Partners L.P., dated as of May 15, 2002, as amended by Amendment No. 1, dated August 7, 2002, Amendment No. 2, dated December 17, 2002, Amendment No. 3, dated December 10, 2003, and Amendment No. 4, dated December 17, 2003, to the Third Amended and Restated Agreement of Limited Partnership of Enterprise Products Partners L.P., as amended by that certain Fifth Amended and Restated Agreement of Limited Partnership of Enterprise Products Partners L.P., dated as of August 8, 2005, as amended by Amendment No. 1, dated as of December 27, 2007, Amendment No. 2, dated as of April 14, 2008, Amendment No. 3, dated as of November 6, 2008, and Amendment No. 4, dated as of October 26, 2009, and Amendment No. 5, dated as of November 22, 2010, to the Fifth Amended and Restated Agreement of Limited Partnership of Enterprise Products Partners L.P. The purpose of this amendment and restatement is to (i) consolidate the previous amendments into one document, (ii) reflect the conversion of the General Partner Interest of the Predecessor General Partner into a non-economic management interest in the Partnership and cancellation of the rights of the Predecessor General Partner to Incentive Distributions (as defined in the Prior Partnership Agreement), and amendment of the distribution and allocation provisions after giving effect to the same, (iii) reflect the assignment and assumption of the General Partner Interest, and the admission of EPE Holdings, LLC as the current General Partner of the Partnership immediately prior to the transfer of the General Partner Interest in accordance with Sections 4.6(c) and 10.3 and the continuation of the Partnership without dissolution, and (iv) delete certain provisions which are no longer applicable to the Partnership. Subject to the



provisions of this Agreement, the General Partner and the Limited Partners hereby continue the Partnership as a limited partnership pursuant to the provisions of the Delaware Act. This amendment and restatement shall become effective on the date of this Agreement. Except as expressly provided to the contrary in this Agreement, the rights, duties (including fiduciary duties), liabilities and obligations of the Partners and the administration, dissolution and termination of the Partnership shall be governed by the Delaware Act. All Partnership Interests shall constitute personal property of the owner thereof for all purposes and a Partner has no interest in specific Partnership property.

2.2 *Name.* The name of the Partnership shall be "Enterprise Products Partners L.P." The Partnership's business may be conducted under any other name or names deemed necessary or appropriate by the General Partner in its sole discretion, including the name of the General Partner. The words "Limited Partnership," "L.P.," "Ltd." or similar words or letters shall be included in the Partnership's name where necessary for the purpose of complying with the laws of any jurisdiction that so requires. The General Partner in its discretion may change the name of the Partnership at any time and from time to time and shall notify the Limited Partners of such change in the next regular communication to the Limited Partners.

2.3 *Registered Office; Registered Agent; Principal Office; Other Offices.* Unless and until changed by the General Partner, the registered office of the Partnership in the State of Delaware shall be located at 1209 Orange Street, New Castle County, Wilmington, Delaware 19801, and the registered agent for service of process on the Partnership in the State of Delaware at such registered office shall be The Corporation Trust Company. The principal office of the Partnership shall be located at P.O. Box 4324, Houston, Texas 77210-4324 or such other place as the General Partner may from time to time designate by notice to the Limited Partners. The Partnership may maintain offices at such other place or places within or outside the State of Delaware as the General Partner deems necessary or appropriate. The address of the General Partner shall be P.O. Box 4324, Houston, Texas 77210-4324 or such other place as the General Partner may from time to time designate by notice to the Limited Partners.

2.4 *Purpose and Business.* The purpose and nature of the business to be conducted by the Partnership shall be:

- (a) to serve as a limited partner in the Operating Partnership and any of its Subsidiary partnerships and, in connection therewith, to exercise all of the rights and powers conferred upon the Partnership as a limited partner in such partnerships pursuant to the partnership agreements for such entities or otherwise;
- (b) to engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any business activity that the Operating Partnership is permitted to engage in by the Operating Partnership Agreement and, in connection therewith, to exercise all of the rights and powers conferred upon the Partnership pursuant to the agreements relating to such business activity;
- (c) to engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any

business activity that is approved by the General Partner and which lawfully may be conducted by a limited partnership organized pursuant to the Delaware Act and, in connection therewith, to exercise all of the rights and powers conferred upon the Partnership pursuant to the agreements relating to such business activity; provided, however, that the General Partner determines in good faith, prior to the conduct of such activity, that the conduct by the Partnership of such activity is not likely to result in the Partnership being treated as an association taxable as a corporation for federal income tax purposes;

(d) to do anything necessary or appropriate to the foregoing, including the making of capital contributions or loans to any Group Member.

The Partnership shall at all times maintain a sufficient number of employees in light of its then current business operations if adequate personnel and services are not provided to the Partnership under the Administrative Services Agreement. The General Partner has no obligation or duty to the Partnership, the Limited Partners or any Assignee to propose or approve, and in its sole discretion may decline to propose or approve, the conduct by the Partnership of any business.

2.5 *Powers.* The Partnership shall be empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described in Section 2.4 and for the protection and benefit of the Partnership.

2.6 *Power of Attorney.*

(a) Each Limited Partner and each Assignee hereby constitutes and appoints the General Partner and, if a Liquidator (other than the General Partner) shall have been selected pursuant to Section 12.3, the Liquidator, severally (and any successor to either thereof by merger, transfer, assignment, election or otherwise) and each of their authorized officers and attorneys-in-fact, as the case may be, with full power of substitution, as his true and lawful agent and attorney-in-fact, with full power and authority in his name, place and stead, to:

(i) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (A) all certificates, documents and other instruments (including this Agreement and the Certificate of Limited Partnership and all amendments or restatements hereof or thereof) that the General Partner or the Liquidator deems necessary or appropriate to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware and in all other jurisdictions in which the Partnership may conduct business or own property; (B) all certificates, documents and other instruments that the General Partner or the Liquidator deems necessary or appropriate to reflect, in accordance with its terms, any amendment, change, modification or restatement of this Agreement; (C) all certificates, documents and other instruments (including conveyances and a certificate of cancellation) that the General Partner or the Liquidator deems necessary or appropriate to reflect the

dissolution and liquidation of the Partnership pursuant to the terms of this Agreement; (D) all certificates, documents and other instruments relating to the admission, withdrawal, removal or substitution of any Partner pursuant to, or other events described in, Article IV, X, XI or XII; (E) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges of any class or series of Partnership Securities issued pursuant to Section 5.6; and (F) all certificates, documents and other instruments (including agreements and a certificate of merger) relating to a merger or consolidation of the Partnership pursuant to Article XIV; and

(ii) execute, swear to, acknowledge, deliver, file and record all ballots, consents, approvals, waivers, certificates, documents and other instruments necessary or appropriate, in the discretion of the General Partner or the Liquidator, to make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action that is made or given by the Partners hereunder or is consistent with the terms of this Agreement or is necessary or appropriate, in the discretion of the General Partner or the Liquidator, to effectuate the terms or intent of this Agreement; provided, that when required by Section 13.3 or any other provision of this Agreement that establishes a percentage of the Limited Partners or of the Limited Partners of any class or series required to take any action, the General Partner and the Liquidator may exercise the power of attorney made in this Section 2.6(a)(ii), only after the necessary vote, consent or approval of the Limited Partners or of the Limited Partners of such class or series, as applicable.

Nothing contained in this Section 2.6(a) shall be construed as authorizing the General Partner to amend this Agreement except in accordance with Article XIII or as may be otherwise expressly provided for in this Agreement.

(b) The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, and it shall survive and, to the maximum extent permitted by law, not be affected by the subsequent death, incompetency, disability, incapacity, dissolution, bankruptcy or termination of any Limited Partner or Assignee and the transfer of all or any portion of such Limited Partner's or Assignee's Partnership Interest and shall extend to such Limited Partner's or Assignee's heirs, successors, assigns and personal representatives. Each such Limited Partner or Assignee hereby agrees to be bound by any representation made by the General Partner or the Liquidator acting in good faith pursuant to such power of attorney; and each such Limited Partner or Assignee, to the maximum extent permitted by law, hereby waives any and all defenses that may be available to contest, negate or disaffirm the action of the General Partner or the Liquidator taken in good faith under such power of attorney. Each Limited Partner or Assignee shall execute and deliver to the General Partner or the Liquidator, within 15 days after receipt of the request therefor, such further designation, powers of attorney and other instruments as the General Partner or the Liquidator deems necessary to effectuate this Agreement and the purposes of the Partnership.

2.7 *Term.* The term of the Partnership commenced upon the filing of the Certificate of Limited Partnership in accordance with the Delaware Act and shall continue in existence until the close of Partnership business on December 31, 2088 or until the earlier termination of the Partnership in accordance with the provisions of Article XII. The existence of the Partnership as a separate legal entity shall continue until the cancellation of the Certificate of Limited Partnership as provided in the Delaware Act.

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

2.9 *Certain Undertakings Relating to the Separateness of the Partnership.*

(a) Separateness Generally. The Partnership shall conduct its business and operations separate and apart from those of any other Person (including EPCO and its Subsidiaries, other than the General Partner and the Partnership Group), except the General Partner and the Partnership Group, in accordance with this Section 2.9.

(b) Separate Records. The Partnership shall (i) maintain its books and records and its accounts separate from those of any other Person, (ii) maintain its financial records, which will be used by it in its ordinary course of business, showing its assets and liabilities separate and apart from those of any other Person, except the General Partner and the Partnership's consolidated Subsidiaries, (iii) not have its assets and/or liabilities included in a consolidated financial statement of any Affiliate of the General Partner unless appropriate notation shall be made on such Affiliate's consolidated financial statements to indicate the separateness of the Partnership and the General Partner and their assets and liabilities from such Affiliate and the assets and liabilities of such Affiliate, and to indicate that the assets and liabilities of the Partnership and the General Partner are not available to satisfy the debts and other obligations of such Affiliate, and (iv) file its own tax returns separate from those of any other Person, except to the extent

that the Partnership is treated as a “disregarded entity” for tax purposes or is not otherwise required to file tax returns under applicable law or is required under applicable law to file a tax return which is consolidated with another Person.

(c) Separate Assets. The Partnership shall not commingle or pool its funds or other assets with those of any other Person, except its consolidated Subsidiaries, and shall maintain its assets in a manner that is not costly or difficult to segregate, ascertain or otherwise identify as separate from those of any other Person.

(d) Separate Name. The Partnership shall (i) conduct its business in its own name or in the names of one or more of its Subsidiaries or the General Partner, (ii) use separate stationery, invoices, and checks, (iii) correct any known misunderstanding regarding its separate identity, and (iv) generally hold itself out as an entity separate from any other Person (other than the General Partner or the Partnership’s Subsidiaries).

(e) Separate Credit. The Partnership (i) shall pay its obligations and liabilities from its own funds (whether on hand or borrowed), (ii) shall maintain adequate capital in light of its business operations, (iii) shall not pledge its assets for the benefit of any Person or guarantee or become obligated for the debts of any other Person, except its Subsidiaries, (iv) shall not hold out its credit as being available to satisfy the obligations or liabilities of any other Person, except its Subsidiaries, (v) shall not acquire obligations or debt securities of EPCO or its Affiliates (other than the other members of the Partnership Group and the General Partner), (vi) shall not make loans or advances to any Person, except its Subsidiaries, and (vii) use its commercially reasonable efforts to cause the operative documents under which the Partnership or any of its Subsidiaries borrows money, is an issuer of debt securities, or guarantees any such borrowing or issuance, to contain provisions to the effect that (A) the lenders or purchasers of debt securities, respectively, acknowledge that they have advanced funds or purchased debt securities, respectively, in reliance upon the separateness of the Partnership and the General Partner from each other and from any other Persons, including any Affiliate of the General Partner and (B) the Partnership and the General Partner have assets and liabilities that are separate from those of other persons, including any Affiliate of the General Partner; provided that, the Partnership may engage in any transaction described in clauses (v)-(vi) of this Section 2.9(e) if prior Special Approval has been obtained for such transaction and either (A) the Audit and Conflicts Committee has determined (by Special Approval) that the borrower or recipient of the credit support is not then insolvent and will not be rendered insolvent as a result of such transaction or (B) in the case of transactions described in clause (v), such transaction is completed through a public auction or a National Securities Exchange.

(f) Separate Formalities. The Partnership shall (i) observe all partnership formalities and other formalities required by its organizational documents, the laws of the jurisdiction of its formation, or other laws, rules, regulations and orders of governmental authorities exercising jurisdiction over it, (ii) engage in transactions with EPCO and its Affiliates (other than the General Partner or another member of the Partnership Group) in conformity with the requirements of Section 7.9, and (iii) subject to the terms of the Administrative Services Agreement, promptly pay, from its own funds, and on a current

basis, a fair and reasonable share of general and administrative expenses, capital expenditures, and costs for shared services performed by EPCO or Affiliates of EPCO (other than the General Partner or another member of the Partnership Group). Each material contract between the Partnership or another member of the Partnership Group, on the one hand, and EPCO or Affiliates of EPCO (other than the General Partner or a member of the Partnership Group), on the other hand, shall be in writing.

(g) No Effect. Failure by the Partnership to comply with any of the obligations set forth above shall not affect the status of the Partnership as a separate legal entity, with its separate assets and separate liabilities.

**ARTICLE III  
RIGHTS OF LIMITED PARTNERS**

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

3.2 *Management of Business*. No Limited Partner or Assignee, in its capacity as such, shall participate in the operation, management or control (within the meaning of Section 17-303(a) of the Delaware Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents for or otherwise bind the Partnership. Any action taken by any Affiliate of the General Partner or any officer, director, employee, member, manager, general partner, agent or trustee of the General Partner or any of its Affiliates, or any officer, director, employee, member, general partner, agent or trustee of a Group Member, in its capacity as such, shall not be deemed to be participation in the control of the business of the Partnership by a limited partner of the Partnership (within the meaning of Section 17-303(a) of the Delaware Act) and shall not affect, impair or eliminate the limitations on the liability of the Limited Partners or Assignees under this Agreement.

3.3 *Outside Activities of the Limited Partners*. Subject to the provisions of Section 7.5, which shall continue to be applicable to the Persons referred to therein, regardless of whether such Persons shall also be Limited Partners or Assignees, any Limited Partner or Assignee shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities in direct competition with the Partnership Group. Neither the Partnership nor any of the other Partners or Assignees shall have any rights by virtue of this Agreement in any business ventures of any Limited Partner or Assignee.

3.4 *Rights of Limited Partners*.

(a) In addition to other rights provided by this Agreement or by applicable law, and except as limited by Section 3.4(b), each Limited Partner shall have the right, for a purpose reasonably related to such Limited Partner's interest as a limited partner in the Partnership, upon reasonable written demand and at such Limited Partner's own expense:

- (i) to obtain true and full information regarding the status of the business and financial condition of the Partnership;
- (ii) promptly after becoming available, to obtain a copy of the Partnership's federal, state and local income tax returns for each year;
- (iii) to have furnished to him a current list of the name and last known business, residence or mailing address of each Partner;
- (iv) to have furnished to him a copy of this Agreement and the Certificate of Limited Partnership and all amendments thereto, together with a copy of the executed copies of all powers of attorney pursuant to which this Agreement, the Certificate of Limited Partnership and all amendments thereto have been executed;
- (v) to obtain true and full information regarding the amount of cash and a description and statement of the Net Agreed Value of any other Capital Contribution by each Partner and which each Partner has agreed to contribute in the future, and the date on which each became a Partner; and
- (vi) to obtain such other information regarding the affairs of the Partnership as is just and reasonable.

(b) Notwithstanding any other provision of this Agreement, the General Partner may keep confidential from the Limited Partners and Assignees, for such period of time as the General Partner deems reasonable, (i) any information that the General Partner reasonably believes to be in the nature of trade secrets or (ii) other information the disclosure of which the General Partner in good faith believes (A) is not in the best interests of the Partnership Group, (B) could damage the Partnership Group or (C) that any Group Member is required by law or by agreement with any third party to keep confidential (other than agreements with Affiliates of the Partnership the primary purpose of which is to circumvent the obligations set forth in this Section 3.4).

**ARTICLE IV  
CERTIFICATES; RECORD HOLDERS; TRANSFER OF PARTNERSHIP INTERESTS;  
REDEMPTION OF PARTNERSHIP INTERESTS**

4.1 *Certificates.* Upon the Partnership's issuance of Common Units to any Person, the Partnership shall issue one or more Certificates in the name of such Person evidencing the number of such Units being so issued. In addition, (a) upon the General Partner's request, the Partnership shall issue to it one or more Certificates in the name of the General Partner evidencing its interests in the Partnership and (b) upon the request of any Person owning any Partnership Securities, the Partnership shall issue to such Person one or more Certificates evidencing such Partnership Securities. Certificates shall be executed on behalf of the Partnership by the Chairman of the Board, President or any Executive Vice President or Vice President and the Secretary or any Assistant Secretary of the General Partner. No Common Unit Certificate shall be valid for any purpose until it has been countersigned by the Transfer Agent; *provided, however,* that, notwithstanding any provision to the contrary in this Section 4.1 or

elsewhere in this Agreement, Common Units may be certificated or uncertificated as provided in the Delaware Act.

4.2 *Mutilated, Destroyed, Lost or Stolen Certificates.*

(a) If any mutilated Certificate is surrendered to the Transfer Agent, the appropriate officers of the General Partner on behalf of the Partnership shall execute, and the Transfer Agent shall countersign and deliver in exchange therefor, a new Certificate, or shall deliver other evidence of the issuance of uncertificated Units, evidencing the same number and type of Partnership Securities as the Certificate so surrendered.

(b) The appropriate officers of the General Partner on behalf of the Partnership shall execute and deliver, and the Transfer Agent shall countersign a new Certificate, or shall deliver other evidence of the issuance of uncertificated Units, in place of any Certificate previously issued if the Record Holder of the Certificate:

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

(ii) requests the issuance of a new Certificate, or other evidence of the issuance of uncertificated Units, before the Partnership has notice that the Certificate has been acquired by a purchaser for value in good faith and without notice of an adverse claim;

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

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

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

(c) As a condition to the issuance of any new Certificate, or other evidence of the issuance of uncertificated Units, under this Section 4.2, the Partnership may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Transfer Agent) reasonably connected therewith.



4.3 *Record Holders.* The Partnership shall be entitled to recognize the Record Holder as the Partner or Assignee with respect to any Partnership Interest and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such Partnership Interest on the part of any other Person, regardless of whether the Partnership shall have actual or other notice thereof, except as otherwise provided by law or any applicable rule, regulation, guideline or requirement of any National Securities Exchange on which such Partnership Interests are listed for trading. Without limiting the foregoing, when a Person (such as a broker, dealer, bank, trust company or clearing corporation or an agent of any of the foregoing) is acting as nominee, agent or in some other representative capacity for another Person in acquiring and/or holding Partnership Interests, as between the Partnership on the one hand, and such other Persons on the other, such representative Person (a) shall be the Partner or Assignee (as the case may be) of record and beneficially, (b) must execute and deliver a Transfer Application and (c) shall be bound by this Agreement and shall have the rights and obligations of a Partner or Assignee (as the case may be) hereunder and as, and to the extent, provided for herein.

4.4 *Transfer Generally.*

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

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

(c) Nothing contained in this Agreement shall be construed to prevent a disposition by any member of the General Partner of any or all of the issued and outstanding member interests of the General Partner.

4.5 *Registration and Transfer of Limited Partner Interests.*

(a) The Partnership shall keep or cause to be kept on behalf of the Partnership a register in which, subject to such reasonable regulations as it may prescribe and subject to the provisions of [Section 4.5\(b\)](#), the Partnership will provide for the registration and transfer of Limited Partner Interests. The Transfer Agent is hereby appointed registrar and transfer agent for the purpose of registering Common Units and transfers of such Common Units as herein provided. The Partnership shall not recognize transfers of Certificates evidencing Limited Partner Interests unless such transfers are effected in the manner described in this [Section 4.5](#). Upon surrender of a Certificate for registration of transfer of any Limited Partner Interests evidenced by a Certificate, and subject to the provisions of [Section 4.5\(b\)](#), the appropriate officers of the General Partner on behalf of

the Partnership shall execute and deliver, and in the case of Common Units, the Transfer Agent shall countersign and deliver, in the name of the holder or the designated transferee or transferees, as required pursuant to the holder's instructions, one or more new Certificates, or shall deliver other evidence of the issuance of uncertificated Units, evidencing the same aggregate number and type of Limited Partner Interests as was evidenced by the Certificate so surrendered.

(b) Except as otherwise provided in Section 4.9, the Partnership shall not recognize any transfer of Limited Partner Interests until the Certificates evidencing such Limited Partner Interests, or other evidence of the issuance of uncertificated Units, are surrendered for registration of transfer and such Certificates, or other evidence of the issuance of uncertificated Units, are accompanied by a Transfer Application duly executed by the transferee (or the transferee's attorney-in-fact duly authorized in writing). No charge shall be imposed by the Partnership for such transfer; provided, that as a condition to the issuance of any new Certificate, or other evidence of the issuance of uncertificated Units, under this Section 4.5, the Partnership may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed with respect thereto.

(c) Limited Partner Interests may be transferred only in the manner described in this Section 4.5. The transfer of any Limited Partner Interests and the admission of any new Limited Partner shall not constitute an amendment to this Agreement.

(d) Until admitted as a Substituted Limited Partner pursuant to Section 10.2, the Record Holder of a Limited Partner Interest shall be an Assignee in respect of such Limited Partner Interest. Limited Partners may include custodians, nominees or any other individual or entity in its own or any representative capacity.

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

(f) The General Partner and its Affiliates shall have the right at any time to transfer its Subordinated Units and Common Units (whether issued upon conversion of the Subordinated Units or otherwise) to one or more Persons.

4.6 *Transfer of General Partner Interest.*

(a) **[Reserved]**

(b) Subject to Section 4.6(c) below, the General Partner may transfer all or any of its General Partner Interest without Unitholder approval.

(c) Notwithstanding anything herein to the contrary, no transfer by the General Partner of all or any part of its General Partner Interest to another Person or replacement of the General Partner pursuant to Section 10.3 shall be permitted unless (i) the transferee or successor (as applicable) agrees to assume the rights and duties of the General Partner under this Agreement and to be bound by the provisions of this Agreement, (ii) the Partnership receives an Opinion of Counsel that such transfer or replacement would not result in the loss of limited liability of any Limited Partner or of any member of the Operating Partnership or cause the Partnership or the Operating Partnership to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not already so treated or taxed), (iii) such transferee or successor (as applicable) also agrees to purchase all (or the appropriate portion thereof, if applicable) of the partnership interest of the General Partner as the general partner or managing member of each other Group Member, and (iv) for so long as any affiliate of EPCO controls the General Partner, the organizational documents of the owner(s) of all the General Partner Interest, together, provide for the establishment of an "Audit and Conflicts Committee" to approve certain matters with respect to the General Partner and the Partnership, the selection of "Independent Directors" as members of such Audit and Conflicts Committee, and the submission of certain matters to the vote of such Audit and Conflicts Committee upon similar terms and conditions as set forth in the limited liability company agreement of the General Partner, as the same exists as of the date of this Agreement so as to provide the Limited Partners and the General Partner with the same rights and obligations as are herein contained. In the case of a transfer pursuant to and in compliance with this Section 4.6, the transferee or successor (as applicable) shall, subject to compliance with the terms of Section 10.3, be admitted to the Partnership as a General Partner immediately prior to the transfer of the General Partner Interest, and the business of the Partnership shall continue without dissolution.

4.7 *Restrictions on Transfers.*

(a) Except as provided in Section 4.7(d) below, but notwithstanding the other provisions of this Article IV, no transfer of any Partnership Interests shall be made if such transfer would (i) violate the then applicable federal or state securities laws or rules and regulations of the Commission, any state securities commission or any other governmental authority with jurisdiction over such transfer, (ii) terminate the existence or qualification of the Partnership or the Operating Partnership under the laws of the jurisdiction of its formation, or (iii) cause the Partnership or the Operating Partnership to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not already so treated or taxed).

(b) The General Partner may impose restrictions on the transfer of Partnership Interests if a subsequent Opinion of Counsel determines that such restrictions are necessary to avoid a significant risk of the Partnership or the Operating Partnership becoming taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes. The restrictions may be imposed by making such amendments to this Agreement as the General Partner may determine to be necessary or appropriate to impose such restrictions; provided, however, that any amendment that the General

Partner believes, in the exercise of its reasonable discretion, could result in the delisting or suspension of trading of any class of Limited Partner Interests on the principal National Securities Exchange on which such class of Limited Partner Interests is then traded must be approved, prior to such amendment being effected, by the holders of at least a majority of the Outstanding Limited Partner Interests of such class.

(c) Nothing contained in this Article IV, or elsewhere in this Agreement, shall preclude the settlement of any transactions involving Partnership Interests entered into through the facilities of any National Securities Exchange on which such Partnership Interests are listed for trading.

(d) The transfer of a Class B Unit that has converted into a Common Unit shall be subject to the restrictions imposed by Section 6.9.

4.8 *Citizenship Certificates; Non-citizen Assignees.*

(a) If any Group Member is or becomes subject to any federal, state or local law or regulation that, in the reasonable determination of the General Partner, creates a substantial risk of cancellation or forfeiture of any property in which the Group Member has an interest based on the nationality, citizenship or other related status of a Limited Partner or Assignee, the General Partner may request any Limited Partner or Assignee to furnish to the General Partner, within 30 days after receipt of such request, an executed Citizenship Certification or such other information concerning his nationality, citizenship or other related status (or, if the Limited Partner or Assignee is a nominee holding for the account of another Person, the nationality, citizenship or other related status of such Person) as the General Partner may request. If a Limited Partner or Assignee fails to furnish to the General Partner within the aforementioned 30-day period such Citizenship Certification or other requested information or if upon receipt of such Citizenship Certification or other requested information the General Partner determines, with the advice of counsel, that a Limited Partner or Assignee is not an Eligible Citizen, the Partnership Interests owned by such Limited Partner or Assignee shall be subject to redemption in accordance with the provisions of Section 4.9. In addition, the General Partner may require that the status of any such Limited Partner or Assignee be changed to that of a Non-citizen Assignee and, thereupon, the General Partner shall be substituted for such Non-citizen Assignee as the Limited Partner in respect of his Limited Partner Interests.

(b) The General Partner shall, in exercising voting rights in respect of Limited Partner Interests held by it on behalf of Non-citizen Assignees, distribute the votes in the same ratios as the votes of Partners (including without limitation the General Partner) in respect of Limited Partner Interests other than those of Non-citizen Assignees are cast, either for, against or abstaining as to the matter.

(c) Upon dissolution of the Partnership, a Non-citizen Assignee shall have no right to receive a distribution in kind pursuant to Section 12.4 but shall be entitled to the cash equivalent thereof, and the Partnership shall provide cash in exchange for an assignment of the Non-citizen Assignee's share of the distribution in kind. Such payment

and assignment shall be treated for Partnership purposes as a purchase by the Partnership from the Non-citizen Assignee of his Limited Partner Interest (representing his right to receive his share of such distribution in kind).

(d) At any time after he can and does certify that he has become an Eligible Citizen, a Non-citizen Assignee may, upon application to the General Partner, request admission as a Substituted Limited Partner with respect to any Limited Partner Interests of such Non-citizen Assignee not redeemed pursuant to Section 4.9, and upon his admission pursuant to Section 10.2, the General Partner shall cease to be deemed to be the Limited Partner in respect of the Non-citizen Assignee's Limited Partner Interests.

4.9 *Redemption of Partnership Interests of Non-citizen Assignees.*

(a) If at any time a Limited Partner or Assignee fails to furnish a Citizenship Certification or other information requested within the 30-day period specified in Section 4.9(a), or if upon receipt of such Citizenship Certification or other information the General Partner determines, with the advice of counsel, that a Limited Partner or Assignee is not an Eligible Citizen, the Partnership may, unless the Limited Partner or Assignee establishes to the satisfaction of the General Partner that such Limited Partner or Assignee is an Eligible Citizen or has transferred his Partnership Interests to a Person who is an Eligible Citizen and who furnishes a Citizenship Certification to the General Partner prior to the date fixed for redemption as provided below, redeem the Partnership Interest of such Limited Partner or Assignee as follows:

(i) The General Partner shall, not later than the 30th day before the date fixed for redemption, give notice of redemption to the Limited Partner or Assignee, at his last address designated on the records of the Partnership or the Transfer Agent, by registered or certified mail, postage prepaid. The notice shall be deemed to have been given when so mailed. The notice shall specify the Redeemable Interests, the date fixed for redemption, the place of payment, that payment of the redemption price will be made upon surrender of the Certificate evidencing the Redeemable Interests, or other evidence of the issuance of uncertificated Units, and that on and after the date fixed for redemption no further allocations or distributions to which the Limited Partner or Assignee would otherwise be entitled in respect of the Redeemable Interests will accrue or be made.

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

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

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

(b) The provisions of this Section 4.9 shall also be applicable to Partnership Interests held by a Limited Partner or Assignee as nominee of a Person determined to be other than an Eligible Citizen.

(c) Nothing in this Section 4.9 shall prevent the recipient of a notice of redemption from transferring his Partnership Interest before the redemption date if such transfer is otherwise permitted under this Agreement. Upon receipt of notice of such a transfer, the General Partner shall withdraw the notice of redemption, provided the transferee of such Partnership Interest certifies to the satisfaction of the General Partner in a Citizenship Certification delivered in connection with the Transfer Application that he is an Eligible Citizen. If the transferee fails to make such certification, such redemption shall be effected from the transferee on the original redemption date.

**ARTICLE V**  
**CAPITAL CONTRIBUTIONS AND ISSUANCE OF PARTNERSHIP INTEREST**

5.1 *Prior Contributions.* Prior to the date hereof, the Predecessor General Partner made certain Capital Contributions to the Partnership in exchange for an interest in the Partnership and was admitted as the Predecessor General Partner of the Partnership, and DF1 made certain Capital Contributions to the Partnership in exchange for an interest in the Partnership and was admitted as a Limited Partner of the Partnership. As of the date hereof, (i) the General Partner Interest of the Predecessor General Partner has been assumed initially by Holdings as successor by merger to Enterprise Products GP, LLC, Holdings was admitted to the Partnership as the general partner of the Partnership immediately prior to such merger, and the Partnership continued without dissolution, and (ii) the General Partner Interest, as amended by this Agreement, has been assigned and assumed by the General Partner pursuant to the Holdings Merger, subject to all of the rights, privileges and duties of the General Partner under this Agreement, the General Partner is hereby admitted to the Partnership as the sole general partner of the Partnership effective immediately prior to the transfer of the General Partner's Partnership Interest pursuant to Holdings Merger in accordance with Sections 4.6 and 10.3, and the Partnership continues without dissolution.

5.2 *Conversion and Continuation of General Partner Interest and Limited Partner Interests; Initial Offering.*

(a) The General Partner Interest that existed immediately prior to the date hereof is hereby converted to a non-economic General Partner Interest in the Partnership,

and the rights of the Predecessor General Partner with respect to "Incentive Distributions" (as defined in the Prior Partnership Agreement) are hereby cancelled and terminated. From the date hereof, the General Partner Interest shall only represent a non-economic management interest of the General Partner in the Partnership, subject to all of the rights, privileges and duties of the General Partner under this Agreement, and the Partnership is hereby continued without dissolution.

(b) On the Closing Date, the Partnership Interest of DFI in the Partnership was converted into 67,105,830 Common Units and 42,819,740 subordinated units of the Partnership (which were subsequently converted, in accordance with the terms of this Agreement, into 42,819,740 Common Units), and such Partnership Interest was continued.

(c) All other Partnership Interests that were issued prior to the date hereof and are currently Outstanding shall be continued.

5.3 *Contributions by the Underwriters.*

(a) On the Closing Date and pursuant to the Underwriting Agreement, each Underwriter was required to contribute to the Partnership cash in an amount equal to the Issue Price per Initial Common Unit, multiplied by the number of Common Units specified in the Underwriting Agreement to be purchased by such Underwriter at the Closing Date. In exchange for such Capital Contributions by the Underwriters, the Partnership issued Common Units to each Underwriter on whose behalf such Capital Contribution was made in an amount equal to the quotient obtained by dividing (i) the cash contribution to the Partnership by or on behalf of such Underwriter by (ii) the Issue Price per Initial Common Unit.

(b) Upon the exercise of the Over-Allotment Option, each Underwriter was required to contribute to the Partnership cash in an amount equal to the Issue Price per Initial Common Unit, multiplied by the number of Common Units specified in the Underwriting Agreement to be purchased by such Underwriter at the Option Closing Date. In exchange for such Capital Contributions by the Underwriters, the Partnership issued Common Units to each Underwriter on whose behalf such Capital Contribution was made in an amount equal to the quotient obtained by dividing (i) the cash contributions to the Partnership by or on behalf of such Underwriter by (ii) the Issue Price per Initial Common Unit.

(c) No Limited Partner Partnership Interests were issued or issuable as of or at the Closing Date other than (i) the Common Units issuable pursuant to subparagraph (a) hereof in aggregate number equal to 24,000,000, (ii) the "Option Units" as such term is used in the Underwriting Agreement in aggregate number up to 3,600,000 issuable upon exercise of the Over-Allotment Option pursuant to subparagraph (b) hereof, and (iii) the 67,105,830 Common Units and 42,819,740 subordinated units of the Partnership (which

were subsequently converted, in accordance with the terms of this Agreement, into 42,819,740 Common Units) issuable to DFI.

5.4 *Interest and Withdrawal.* No interest shall be paid by the Partnership on Capital Contributions. No Partner or Assignee shall be entitled to the withdrawal or return of its Capital Contribution, except to the extent, if any, that distributions made pursuant to this Agreement or upon termination of the Partnership may be considered as such by law and then only to the extent provided for in this Agreement. Except to the extent expressly provided in this Agreement, no Partner or Assignee shall have priority over any other Partner or Assignee either as to the return of Capital Contributions or as to profits, losses or distributions. Any such return shall be a compromise to which all Partners and Assignees agree within the meaning of 17-502(b) of the Delaware Act.

5.5 *Capital Accounts.*

(a) The Partnership shall maintain for each Partner (or a beneficial owner of Partnership Interests held by a nominee in any case in which the nominee has furnished the identity of such owner to the Partnership in accordance with Section 6031(c) of the Code or any other method acceptable to the General Partner in its sole discretion) owning a Partnership Interest a separate Capital Account with respect to such Partnership Interest in accordance with the rules of Treasury Regulation Section 1.704-1(b)(2)(iv). Such Capital Account shall be increased by (i) the amount of all Capital Contributions made to the Partnership with respect to such Partnership Interest pursuant to this Agreement and (ii) all items of Partnership income and gain (including, without limitation, income and gain exempt from tax) computed in accordance with Section 5.5(b) and allocated with respect to such Partnership Interest pursuant to Section 6.1, and decreased by (A) the amount of cash or Net Agreed Value of all actual and deemed distributions of cash or property made with respect to such Partnership Interest pursuant to this Agreement and (B) all items of Partnership deduction and loss computed in accordance with Section 5.5(b), and allocated with respect to such Partnership Interest pursuant to Section 6.1.

(b) For purposes of computing the amount of any item of income, gain, loss or deduction which is to be allocated pursuant to Article VI and is to be reflected in the Partners' Capital Accounts, the determination, recognition and classification of any such item shall be the same as its determination, recognition and classification for federal income tax purposes (including, without limitation, any method of depreciation, cost recovery or amortization used for that purpose), provided, that:

(i) Solely for purposes of this Section 5.5, the Partnership shall be treated as owning directly its proportionate share (as determined by the General Partner based upon the provisions of the Operating Partnership Agreement) of all property owned by the Operating Partnership.

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



other expenses are incurred and shall be allocated among the Partners pursuant to Section 6.1.

(iii) Except as otherwise provided in Treasury Regulation Section 1.704-1(b)(2)(iv)(m), the computation of all items of income, gain, loss and deduction shall be made without regard to any election under Section 754 of the Code which may be made by the Partnership and, as to those items described in Section 705(a)(1)(B) or 705(a)(2)(B) of the Code, without regard to the fact that such items are not includable in gross income or are neither currently deductible nor capitalized for federal income tax purposes. To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Section 734(b) or 743(b) of the Code is required, pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment in the Capital Accounts shall be treated as an item of gain or loss.

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

(v) In accordance with the requirements of Section 704(b) of the Code, any deductions for depreciation, cost recovery or amortization attributable to any Contributed Property shall be determined as if the adjusted basis of such property on the date it was acquired by the Partnership were equal to the Agreed Value of such property. Upon an adjustment pursuant to Section 5.5(d) to the Carrying Value of any Partnership property subject to depreciation, cost recovery or amortization, any further deductions for such depreciation, cost recovery or amortization attributable to such property shall be determined (A) as if the adjusted basis of such property were equal to the Carrying Value of such property immediately following such adjustment and (B) using a rate of depreciation, cost recovery or amortization derived from the same method and useful life (or, if applicable, the remaining useful life) as is applied for federal income tax purposes; provided, however, that, if the asset has a zero adjusted basis for federal income tax purposes, depreciation, cost recovery or amortization deductions shall be determined using any reasonable method that the General Partner may adopt.

(vi) If the Partnership's adjusted basis in a depreciable or cost recovery property is reduced for federal income tax purposes pursuant to Section 48(q)(1) or 48(q)(3) of the Code, the amount of such reduction shall, solely for purposes hereof, be deemed to be an additional depreciation or cost recovery deduction in the year such property is placed in service and shall be allocated among the Partners pursuant to Section 6.1. Any restoration of such basis pursuant to Section 48(q)(2) of the Code shall, to the extent possible, be allocated in the same manner to the Partners to whom such deemed deduction was allocated.

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

(ii) Subject to Section 6.9, immediately prior to the transfer of a Class B Unit or of a Class B Unit that has converted into a Common Unit pursuant to Section 5.12(f) by a holder thereof (other than a transfer to an Affiliate unless the General Partner elects to have this subparagraph 5.5(c)(ii) apply), the Capital Account maintained for such Person with respect to its Class B Units or converted Class B Units will (A) *first*, be allocated to the Class B Units or converted Class B Units to be transferred in an amount equal to the product of (x) the number of such Class B Units or converted Class B Units to be transferred and (y) the Per Unit Capital Amount for a Common Unit, and (B) *second*, any remaining balance in such Capital Account will be retained by the transferor, regardless of whether it has retained any Class B Units or converted Class B Units. Following any such allocation, the transferor's Capital Account, if any, maintained with respect to the retained Class B Units or retained converted Class B Units, if any, will have a balance equal to the amount allocated under clause (B) hereinabove, and the transferee's Capital Account established with respect to the transferred Class B Units or converted Class B Units will have a balance equal to the amount allocated under clause (A) hereinabove.

(d) (i) In accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f), immediately prior to any actual or deemed distribution to a Partner of any Partnership property (other than a distribution of cash that is not in redemption or retirement of a Partnership Interest), the Capital Accounts of all Partners and the Carrying Value of all Partnership property shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership property, as if such Unrealized Gain or Unrealized Loss had been recognized in a sale of such property immediately prior to such distribution for an amount equal to its fair market value, and had been allocated to the Partners, at such time, pursuant to Section 6.1 in the same manner as any item of gain or loss actually recognized during such period would have been allocated. In determining such Unrealized Gain or Unrealized Loss the aggregate cash amount and fair market value of all Partnership assets (including, without limitation, cash or cash equivalents) immediately prior to a distribution shall (A) in the case of an actual distribution which is not made pursuant to Section 12.4, be determined and allocated in the same manner as that provided in Section 5.5(d)(i) or (B) in the case of a liquidating distribution pursuant to Section 12.4, be determined and allocated by the Liquidator using such reasonable method of valuation as it may adopt.

(ii) In accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f), immediately prior to any actual or deemed distribution to a Partner of any Partnership property (other than a distribution of cash that is not in redemption or retirement of a Partnership Interest), the Capital Accounts of all Partners and the Carrying Value of all Partnership property shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership property, as if such Unrealized Gain or Unrealized Loss had been recognized on an actual sale of each such property immediately

prior to such distribution for an amount equal to its fair market value, and had been allocated to the Partners, at such time, pursuant to Section 6.1 in the same manner as any item of gain or loss actually recognized following an event giving rise to the dissolution of the Partnership would have been allocated. In determining such Unrealized Gain or Unrealized Loss, the aggregate cash amount and fair market value of all Partnership assets (including cash or cash equivalents) immediately prior to a distribution shall (A) in the case of an actual distribution that is not made pursuant to Section 12.4 or in the case of a deemed distribution, be determined and allocated in the same manner as that provided in Section 5.5(d)(i) or (B) in the case of a liquidating distribution pursuant to Section 12.4, be determined and allocated by the Liquidator using such reasonable method of valuation as it may adopt.

5.6 *Issuances of Additional Partnership Securities.*

(a) The Partnership may issue additional Partnership Securities and options, rights, warrants and appreciation rights relating to the Partnership Securities for any Partnership purpose at any time and from time to time to such Persons for such consideration and on such terms and conditions as shall be established by the General Partner in its sole discretion, all without the approval of any Limited Partners.

(b) Each additional Partnership Security authorized to be issued by the Partnership pursuant to Section 5.6(a) may be issued in one or more classes, or one or more series of any such classes, with such designations, preferences, rights, powers and duties (which may be senior to existing classes and series of Partnership Securities), as shall be fixed by the General Partner in the exercise of its sole discretion, including (i) the right to share Partnership profits and losses or items thereof; (ii) the right to share in Partnership distributions; (iii) the rights upon dissolution and liquidation of the Partnership; (iv) whether, and the terms and conditions upon which, the Partnership may redeem the Partnership Security; (v) whether such Partnership Security is issued with the privilege of conversion or exchange and, if so, the terms and conditions of such conversion or exchange; (vi) the terms and conditions upon which each Partnership Security will be issued, evidenced by certificates, or other evidence of the issuance of uncertificated Partnership Securities, and assigned or transferred; and (vii) the right, if any, of each such Partnership Security to vote on Partnership matters, including matters relating to the relative rights, preferences and privileges of such Partnership Security.

(c) The General Partner is hereby authorized and directed to take all actions that it deems necessary or appropriate in connection with (i) each issuance of Partnership Securities and options, rights, warrants and appreciation rights relating to Partnership Securities pursuant to this Section 5.6, (ii) the conversion of the General Partner Interest into Units pursuant to the terms of this Agreement, (iii) the admission of Additional Limited Partners and (iv) all additional issuances of Partnership Securities. The General Partner is further authorized and directed to specify the relative rights, powers and duties of the holders of the Units or other Partnership Securities being so issued. The General Partner shall do all things necessary to comply with the Delaware Act and is authorized and directed to do all things it deems to be necessary or advisable in connection with any

future issuance of Partnership Securities or in connection with the conversion of the General Partner Interest into Units pursuant to the terms of this Agreement, including compliance with any statute, rule, regulation or guideline of any federal, state or other governmental agency or any National Securities Exchange on which the Units or other Partnership Securities are listed for trading.

(d) No fractional Units shall be issued by the Partnership.

5.7 **[Reserved]**

5.8 **[Reserved]**

5.9 *Limited Preemptive Right.*

Except as provided in this Section 5.9, no Person shall have any preemptive, preferential or other similar right with respect to the issuance of any Partnership Security, whether unissued, held in the treasury or hereafter created. The General Partner shall have the right, which it may from time to time assign in whole or in part to any of its Affiliates, to purchase Partnership Securities from the Partnership whenever, and on the same terms that, the Partnership issues Partnership Securities to Persons other than the General Partner and its Affiliates, to the extent necessary to maintain the Percentage Interests of the General Partner and its Affiliates equal to that which existed immediately prior to the issuance of such Partnership Securities.

5.10 *Splits and Combinations.*

(a) Subject to Sections 5.10(d) and 6.6 (dealing with adjustments of distribution levels), the Partnership may make a Pro Rata distribution of Partnership Securities to all Record Holders or may effect a subdivision or combination of Partnership Securities so long as, after any such event, each Partner shall have the same Percentage Interest in the Partnership as before such event, and any amounts calculated on a per Unit basis or stated as a number of Units are proportionately adjusted retroactive to the beginning of the Partnership.

(b) Whenever such a distribution, subdivision or combination of Partnership Securities is declared, the General Partner shall select a Record Date as of which the distribution, subdivision or combination shall be effective and shall send notice thereof at least 20 days prior to such Record Date to each Record Holder as of a date not less than 10 days prior to the date of such notice. The General Partner also may cause a firm of independent public accountants selected by it to calculate the number of Partnership Securities to be held by each Record Holder after giving effect to such distribution, subdivision or combination. The General Partner shall be entitled to rely on any certificate provided by such firm as conclusive evidence of the accuracy of such calculation.

(c) Promptly following any such distribution, subdivision or combination, the Partnership may issue Certificates, or other evidence of the issuance of uncertificated Units, to the Record Holders of Partnership Securities as of the applicable Record Date representing the new number of Partnership Securities held by such Record Holders, or

the General Partner may adopt such other procedures as it may deem appropriate to reflect such changes. If any such combination results in a smaller total number of Partnership Securities Outstanding, the Partnership shall require, as a condition to the delivery to a Record Holder of such new Certificate, or other evidence of the issuance of uncertificated Units, the surrender of any Certificate, or other evidence of the issuance of uncertificated Units, held by such Record Holder immediately prior to such Record Date.

(d) The Partnership shall not issue fractional Units upon any distribution, subdivision or combination of Units. If a distribution, subdivision or combination of Units would result in the issuance of fractional Units but for the provisions of [Section 5.6\(d\)](#) and this [Section 5.10\(d\)](#), each fractional Unit shall be rounded to the nearest whole Unit (and a 0.5 Unit shall be rounded to the next higher Unit).

5.11 *Fully Paid and Non-Assessable Nature of Limited Partner Interests.* All Limited Partner Interests issued pursuant to, and in accordance with the requirements of, this [Article V](#) shall be fully paid and non-assessable Limited Partner Interests in the Partnership, except as such non-assessability may be affected by Section 17-607 of the Delaware Act.

5.12 *Establishment of Class B Units*

(a) *General.* The General Partner hereby designates and creates a class of Units to be designated as “Class B Units” and consisting of a total of 4,520,431 Class B Units, and fixes the designations, preferences and relative, participating, optional or other special rights, powers and duties of holders of the Class B Units as set forth in this [Section 5.12](#).

(b) *Rights of Class B Units.* During the period commencing upon issuance of the Class B Units and ending on the Class B Conversion Effective Date:

(i) *Allocations.* Except as otherwise provided in this Agreement, all items of Partnership income, gain, loss, deduction and credit, including Unrealized Gain or Unrealized Loss to be allocated to the Partners pursuant to [Section 6.1\(b\)](#), shall be allocated to the Class B Units to the same extent as such items would be so allocated if such Class B Units were Common Units that were then Outstanding.

(ii) *Distributions.* Prior to the Class B Conversion Effective Date, the Class B Units shall not be entitled to receive distributions of Available Cash pursuant to [Section 6.3](#).

(c) *Voting Rights.* Prior to the Class B Conversion Effective Date, the Class B Units shall be entitled to vote with the Common Units as a single class on any matters on which Common Unitholders are entitled to vote, except that the Class B Units shall be entitled to vote as a separate class on any matter that adversely affects the rights or preferences of the Class B Units in relation to other classes of Partnership Interests (including as a result of a merger or consolidation) or as required by law. The approval of a majority of the Class B Units shall be required to approve any matter for which the holders of the Class B Units are entitled to vote as a separate class. Each Class B Unit

will be entitled to the number of votes equal to the number of Common Units into which a Class B Unit is convertible at the time of the record date for the vote or written consent on the matter.

(d) *Certificates.* The Class B Units will be evidenced by certificates in substantially the form of Exhibit A to this Agreement and, subject to the satisfaction of any applicable legal and regulatory requirements, may be assigned or transferred in a manner identical to the assignment and transfer of other Units. The certificates will initially include a restrictive legend to the effect that the Class B Units have not been registered under the Securities Act or any state securities laws.

(e) *Registrar and Transfer Agent.* The General Partner will act as registrar and transfer agent of the Class B Units.

(f) *Conversion.* Each Class B Unit shall automatically convert into one Common Unit (subject to appropriate adjustment pursuant to Section 5.10 in the event of any split-up, combination or similar event affecting the Common Units or other Units that occurs prior to the Class B Conversion Effective Date) on the date immediately following the payment date for the 16th distribution of Available Cash pursuant to Section 6.3 following the Closing Date (as defined in the Agreement and Plan of Merger dated as of June 28, 2009, by and among the Partnership, the Predecessor General Partner, Enterprise Sub B L.L.C., Teppco Partners, L.P. and Texas Eastern Products Pipeline Company, LLC) (the "Class B Conversion Effective Date") without any further action by the holders thereof. The terms of the Class B Units will be changed, automatically and without further action, on the Class B Conversion Effective Date so that each Class B Unit is converted into one Common Unit and, immediately thereafter, none of the Class B Units shall be Outstanding; *provided, however*, that such converted Class B Units will remain subject to the provisions of Sections 6.1(c)(xiii) and 6.9.

(g) *Surrender of Certificates.* Subject to the requirements of Section 6.9, on or after the Class B Conversion Effective Date, each holder of Class B Units shall promptly surrender the Class B Unit Certificates therefor, duly endorsed, at the office of the General Partner or of any transfer agent for the Class B Units. In the case of any such conversion, the Partnership shall, as soon as practicable thereafter, issue and deliver at such office to such holder of Class B Units one or more Unit Certificates, registered in the name of such holder, or other evidence of the issuance of uncertificated certificates, for the number of Common Units to which such holder shall be entitled. Such conversion shall be deemed to have been made as of the Class B Conversion Effective Date whether or not the Class B Unit Certificate has been surrendered as of such date, and the Person entitled to receive the Common Units issuable upon such conversion shall be treated for all purposes as the record holder of such Common Units as of such date.

## ARTICLE VI ALLOCATIONS AND DISTRIBUTIONS

6.1 *Allocations for Capital Account Purposes.* For purposes of maintaining the Capital Accounts and in determining the rights of the Partners among themselves, the

Partnership's items of income, gain, loss and deduction (computed in accordance with Section 5.5(b)) shall be allocated among the Partners in each taxable year (or portion thereof) as provided herein below.

(a) Net Income and Net Loss. After giving effect to the special allocations set forth in Section 6.1(c), Net Income and Net Loss for each taxable period and all items of income, gain, loss and deduction taken into account in computing Net Income for such taxable period shall be allocated to the Unitholders in accordance with their Percentage Interests.

(b) Net Termination Gains and Losses. After giving effect to the special allocations set forth in Section 6.1(c), all items of income, gain, loss and deduction taken into account in computing Net Termination Gain or Net Termination Loss for such taxable period shall be allocated in the same manner as such Net Termination Gain or Net Termination Loss is allocated hereunder. All allocations under this Section 6.1(b) shall be made after Capital Account balances have been adjusted by all other allocations provided under this Section 6.1; provided, however, that solely for purposes of this Section 6.1(b), Capital Accounts shall not be adjusted for distributions made pursuant to Section 12.4.

(i) If a Net Termination Gain is recognized (or deemed recognized pursuant to Section 5.5(d)), such Net Termination Gain shall be allocated among the Partners in the following manner (and the Capital Accounts of the Partners shall be increased by the amount so allocated in each of the following subclauses, in the order listed, before an allocation is made pursuant to the next succeeding subclause):

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

B. Second, 100% to the Unitholders in accordance with their respective Percentage Interests.

(ii) If a Net Termination Loss is recognized (or deemed recognized pursuant to Section 5.5(d)), such Net Termination Loss shall be allocated among the Partners in the following manner (and the Capital Accounts of the Partners shall be decreased by the amount so allocated in each of the following subclauses, in the order listed, before an allocation is made pursuant to the next succeeding subclause):

A. First, to the Unitholders in proportion to, and to the extent of, the positive balances in their respective Capital Accounts; and

B. Second, the balance, if any, 100% to the Unitholders in accordance with their respective Percentage Interests.

(c) Special Allocations. Notwithstanding any other provision of this Section 6.1, the following special allocations shall be made for such taxable period:

(i) Partnership Minimum Gain Chargeback. Notwithstanding any other provision of this Section 6.1, if there is a net decrease in Partnership Minimum Gain during any Partnership taxable period, each Partner shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation Sections 1.704-2(f)(6), 1.704-2(g)(2) and 1.704-2(j)(2)(i), or any successor provision. For purposes of this Section 6.1(c), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 6.1(c) with respect to such taxable period (other than an allocation pursuant to Sections 6.1(c)(vi) and 6.1(c)(vii)). This Section 6.1(c)(i) is intended to comply with the Partnership Minimum Gain chargeback requirement in Treasury Regulation Section 1.704-2(f) and shall be interpreted consistently therewith.

(ii) Chargeback of Partner Nonrecourse Debt Minimum Gain. Notwithstanding the other provisions of this Section 6.1 (other than Section 6.1(c)(i)), except as provided in Treasury Regulation Section 1.704-2(i)(4), if there is a net decrease in Partner Nonrecourse Debt Minimum Gain during any Partnership taxable period, any Partner with a share of Partner Nonrecourse Debt Minimum Gain at the beginning of such taxable period shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation Sections 1.704-2(i)(4) and 1.704-2(j)(2)(ii), or any successor provisions. For purposes of this Section 6.1(c), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 6.1(c), other than Section 6.1(c)(i) and other than an allocation pursuant to Sections 6.1(c)(vi) and 6.1(c)(vii), with respect to such taxable period. This Section 6.1(c)(ii) is intended to comply with the chargeback of items of income and gain requirement in Treasury Regulation Section 1.704-2(i)(4) and shall be interpreted consistently therewith.

(iii) Priority Allocations.

If the amount of cash or the Net Agreed Value of any property distributed (except cash or property distributed pursuant to Section 12.4) to any Unitholder with respect to its Units for a taxable year is greater (on a per Unit basis) than the amount of cash or the Net Agreed Value of property distributed to the other Unitholders (except Unitholders holding Class B Units with respect to any Record Date prior to the Class B Conversion Effective Date) with respect to their Units (on a per Unit basis), then (1) there shall be allocated income and gain to each Unitholder receiving such greater cash or property distribution until the aggregate amount of



such items allocated pursuant to this Section 6.1(c)(iii) for the current taxable year and all previous taxable years is equal to the product of (A) the amount by which the distribution (on a per Unit basis) to such Unitholder exceeds the distribution (on a per Unit basis) to the Unitholders receiving the smallest distribution and (B) the number of Units owned by the Unitholder receiving the greater distribution.

(iv) Qualified Income Offset. In the event any Partner unexpectedly receives any adjustments, allocations or distributions described in Treasury Regulation Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), or 1.704-1(b)(2)(ii)(d)(6), items of Partnership income and gain shall be specially allocated to such Partner in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations promulgated under Section 704(b) of the Code, the deficit balance, if any, in its Adjusted Capital Account created by such adjustments, allocations or distributions as quickly as possible unless such deficit balance is otherwise eliminated pursuant to Section 6.1(c)(i) or (j).

(v) Gross Income Allocations. In the event any Partner has a deficit balance in its Capital Account at the end of any Partnership taxable period in excess of the sum of (A) the amount such Partner is required to restore pursuant to the provisions of this Agreement and (B) the amount such Partner is deemed obligated to restore pursuant to Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5), such Partner shall be specially allocated items of Partnership gross income and gain in the amount of such excess as quickly as possible; provided, that an allocation pursuant to this Section(c)(v) shall be made only if and to the extent that such Partner would have a deficit balance in its Capital Account as adjusted after all other allocations provided for in this Section 6.1 have been tentatively made as if this Section 6.1(c)(v) were not in this Agreement.

(vi) Nonrecourse Deductions. Nonrecourse Deductions for any taxable period shall be allocated to the Partners in accordance with their respective Percentage Interests. If the General Partner determines in its good faith discretion that the Partnership's Nonrecourse Deductions must be allocated in a different ratio to satisfy the safe harbor requirements of the Treasury Regulations promulgated under Section 704(b) of the Code, the General Partner is authorized, upon notice to the other Partners, to revise the prescribed ratio to the numerically closest ratio that does satisfy such requirements.

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

(viii) Nonrecourse Liabilities. For purposes of Treasury Regulation Section 1.752-3(a)(3), the Partners agree that Nonrecourse Liabilities of the Partnership in excess of the sum of (A) the amount of Partnership Minimum Gain and (B) the total amount of Nonrecourse Built-in Gain shall be allocated among the Partners in accordance with their respective Percentage Interests.

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

(x) Curative Allocation.

A. Notwithstanding any other provision of this Section 6.1, other than the Required Allocations, the Required Allocations shall be taken into account in making the Agreed Allocations so that, to the extent possible, the net amount of items of income, gain, loss and deduction allocated to each Partner pursuant to the Required Allocations and the Agreed Allocations, together, shall be equal to the net amount of such items that would have been allocated to each such Partner under the Agreed Allocations had the Required Allocations and the related Curative Allocation not otherwise been provided in this Section 6.1. Notwithstanding the preceding sentence, Required Allocations relating to (1) Nonrecourse Deductions shall not be taken into account except to the extent that there has been a decrease in Partnership Minimum Gain and (2) Partner Nonrecourse Deductions shall not be taken into account except to the extent that there has been a decrease in Partner Nonrecourse Debt Minimum Gain. Allocations pursuant to this Section 6.1(c)(x)(A) shall only be made with respect to Required Allocations to the extent the General Partner reasonably determines that such allocations will otherwise be inconsistent with the economic agreement among the Partners. Further, allocations pursuant to this Section 6.1(c)(x)(A) shall be deferred with respect to allocations pursuant to clauses (1) and (2) hereof to the extent the General Partner reasonably determines that such allocations are likely to be offset by subsequent Required Allocations.

B. The General Partner shall have reasonable discretion, with respect to each taxable period, to (1) apply the provisions of Section 6.1(c)(x)(A) in whatever order is most likely to minimize the economic distortions that might otherwise result from the Required Allocations, and

(2) divide all allocations pursuant to Section(c)(x)(A) among the Partners in a manner that is likely to minimize such economic distortions.

(xi) **[Reserved]**

(xii) **[Reserved]**

(xiii) Economic Uniformity. With respect to any taxable period in which the Class B Conversion Effective Date occurs (and, if necessary, any subsequent taxable period), items of Partnership gross income, gain, deduction or loss for the taxable period shall be allocated 100% to each Limited Partner with respect to such Limited Partner's Class B Units that are Outstanding on the Class B Conversion Effective Date in the proportion that the respective number of Class B Units held by such Partner bears to the total number of Class B Units then Outstanding, until each such Partner has been allocated the amount of gross income, gain, deduction or loss with respect to such Partner's Class B Units that causes the Capital Account attributable to each Class B Unit, on a per Unit basis, to equal the Per Unit Capital Amount for a Common Unit on the Class B Conversion Effective Date. The purpose for this allocation is to establish uniformity between the Capital Accounts underlying converted Class B Units and the Capital Accounts underlying Common Units immediately prior to the conversion of Class B Units into Common Units.

6.2 *Allocations for Tax Purposes.*

(a) Except as otherwise provided herein, for federal income tax purposes, each item of income, gain, loss and deduction shall be allocated among the Partners in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated pursuant to Section 6.1.

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

(i) (A) In the case of a Contributed Property, such items attributable thereto shall be allocated among the Partners in the manner provided under Section 704(c) of the Code that takes into account the variation between the Agreed Value of such property and its adjusted basis at the time of contribution; and (B) any item of Residual Gain or Residual Loss attributable to a Contributed Property shall be allocated among the Partners in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 6.1.

(ii) (A) In the case of an Adjusted Property, such items shall (1) first, be allocated among the Partners in a manner consistent with the principles of Section 704(c) of the Code to take into account the Unrealized Gain or Unrealized Loss attributable to such property and the allocations thereof pursuant to Section 5.5(d)(i) or 5.5(d)(ii), and (2) second, in the event such property was originally a

Contributed Property, be allocated among the Partners in a manner consistent with Section 6.2(b)(i)(A); and (B) any item of Residual Gain or Residual Loss attributable to an Adjusted Property shall be allocated among the Partners in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 6.1.

(iii) The General Partner shall apply the principles of Treasury Regulation Section 1.704-3(d) to eliminate Book-Tax Disparities.

(c) For the proper administration of the Partnership and for the preservation of uniformity of the Limited Partner Interests (or any class or classes thereof), the General Partner shall have sole discretion to (i) adopt such conventions as it deems appropriate in determining the amount of depreciation, amortization and cost recovery deductions; (ii) make special allocations for federal income tax purposes of income (including, without limitation, gross income) or deductions; and (iii) amend the provisions of this Agreement as appropriate (A) to reflect the proposal or promulgation of Treasury Regulations under Section 704(b) or Section 704(c) of the Code or (B) otherwise to preserve or achieve uniformity of the Limited Partner Interests (or any class or classes thereof). The General Partner may adopt such conventions, make such allocations and make such amendments to this Agreement as provided in this Section 6.2(c) only if such conventions, allocations or amendments would not have a material adverse effect on the Partners, the holders of any class or classes of Limited Partner Interests issued and Outstanding or the Partnership, and if such allocations are consistent with the principles of Section 704 of the Code.

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

(e) Any gain allocated to the Partners upon the sale or other taxable disposition of any Partnership asset shall, to the extent possible, after taking into account other required allocations of gain pursuant to this Section 6.2, be characterized as Recapture Income in the same proportions and to the same extent as such Partners (or

their predecessors in interest) have been allocated any deductions directly or indirectly giving rise to the treatment of such gains as Recapture Income.

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

(g) Each item of Partnership income, gain, loss and deduction attributable to a transferred Partnership Interest, shall for federal income tax purposes, be determined on an annual basis and prorated on a monthly basis and shall be allocated to the Partners as of the opening of the principal National Securities Exchange on which the Common Units are then traded on the first Business Day of each month; provided, however, that such items for the period beginning on the Closing Date and ending on the last day of the month in which the Option Closing Date or the expiration of the Over-Allotment Option occurs shall be allocated to the Partners as of the opening of the Nasdaq National Market on the first Business Day of the next succeeding month; and provided, further, that gain or loss on a sale or other disposition of any assets of the Partnership other than in the ordinary course of business shall be allocated to the Partners as of the opening of the Nasdaq National Market (or such other National Securities Exchange on which the Common Units are then primarily traded) on the first Business Day of the month in which such gain or loss is recognized for federal income tax purposes. The General Partner may revise, alter or otherwise modify such methods of allocation as it determines necessary, to the extent permitted or required by Section 706 of the Code and the regulations or rulings promulgated thereunder.

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

6.3 *Requirement and Characterization of Distributions; Distributions to Record Holders.*

(a) Within 45 days following the end of each Quarter commencing with the Quarter ending on September 30, 1998, an amount equal to 100% of Available Cash (whether from Operating Surplus or Capital Surplus) with respect to such Quarter shall, subject to Section 17-607 of the Delaware Act and any terms applicable to a Partner under the Distribution Waiver Agreement, be distributed in accordance with this Article VI by the Partnership to the Partners in accordance with their Percentage Interest as of the Record Date selected by the General Partner in its reasonable discretion. All distributions required to be made under this Agreement shall be made subject to Section 17-607 of the Delaware Act.

(b) Notwithstanding Section 6.3(a), in the event of the dissolution and liquidation of the Partnership, all receipts received during or after the Quarter in which the Liquidation Date occurs, other than from borrowings described in (a)(ii)(A) of the definition of Available Cash, shall be applied and distributed solely in accordance with, and subject to the terms and conditions of, Section 12.4.

(c) The General Partner shall have the discretion to treat taxes paid by the Partnership on behalf of, or amounts withheld with respect to, all or less than all of the Partners, as a distribution of Available Cash to such Partners.

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

6.4 **[Reserved]**

6.5 **[Reserved]**

6.6 **[Reserved]**

6.7 **[Reserved]**

6.8 **[Reserved]**

6.9 *Special Provisions Relating to the Holders of Class B Units*

.A Unitholder holding a Class B Unit that has converted into a Common Unit pursuant to Section 5.12 shall not be issued a Unit Certificate pursuant to Section 4.1, and shall not be permitted to transfer such Common Units until such times as the General Partner determines, based on advice of counsel, that the converted Class B Unit should have, as a substantive matter, like intrinsic economic and federal income tax characteristics of an Initial Common Unit. In connection with the condition imposed by this Section 6.9, the General Partner shall take whatever steps are required to provide economic uniformity to the converted Class B Units in preparation for a transfer of such Common Units, including the application of Sections 5.5(c)(ii) and 6.1(c)(xiii); provided, however, that no such steps may be taken that would have a material adverse effect on the Unitholders holding Common Units represented by Unit Certificates.

## ARTICLE VII MANAGEMENT AND OPERATION OF BUSINESS

7.1 *Management.*

(a) The General Partner shall conduct, direct and manage all activities of the Partnership. Except as otherwise expressly provided in this Agreement, all management powers over the business and affairs of the Partnership shall be exclusively vested in the

General Partner, and no Limited Partner or Assignee shall have any management power over the business and affairs of the Partnership. In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or which are granted to the General Partner under any other provision of this Agreement, the General Partner, subject to [Section 7.3](#), shall have full power and authority to do all things and on such terms as it, in its sole discretion, may deem necessary or appropriate to conduct the business of the Partnership, to exercise all powers set forth in [Section 2.5](#) and to effectuate the purposes set forth in [Section 2.4](#), including the following:

- (i) the making of any expenditures, the lending or borrowing of money, the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness, including indebtedness that is convertible into Partnership Securities, and the incurring of any other obligations;
- (ii) the making of tax, regulatory and other filings, or rendering of periodic or other reports to governmental or other agencies having jurisdiction over the business or assets of the Partnership;
- (iii) the acquisition, disposition, mortgage, pledge, encumbrance, hypothecation or exchange of any or all of the assets of the Partnership or the merger or other combination of the Partnership with or into another Person (the matters described in this clause (iii) being subject, however, to any prior approval that may be required by [Section 7.3](#));
- (iv) the use of the assets of the Partnership (including cash on hand) for any purpose consistent with the terms of this Agreement, including the financing of the conduct of the operations of the Partnership Group; subject to [Section 7.6\(a\)](#), the lending of funds to other Persons (including the Operating Partnership); the repayment of obligations of the Partnership Group; and the making of capital contributions to any member of the Partnership Group;
- (v) the negotiation, execution and performance of any contracts, conveyances or other instruments (including instruments that limit the liability of the Partnership under contractual arrangements to all or particular assets of the Partnership, with the other party to the contract to have no recourse against the General Partner or its assets other than its interest in the Partnership, even if same results in the terms of the transaction being less favorable to the Partnership than would otherwise be the case);
- (vi) the distribution of Partnership cash;
- (vii) the selection and dismissal of employees (including employees having titles such as "president," "vice president," "secretary" and "treasurer") and agents, outside attorneys, accountants, consultants and contractors and the determination of their compensation and other terms of employment or hiring;

(viii) the maintenance of such insurance for the benefit of the Partnership Group and the Partners as it deems necessary or appropriate (if such insurance is not maintained pursuant to the Administrative Services Agreement);

(ix) the formation of, or acquisition of an interest in, and the contribution of property and the making of loans to, any further limited or general partnerships, joint ventures, limited liability companies, corporations or other relationships (including the acquisition of interests in, and the contributions of property to, the Operating Partnership from time to time) subject to the restrictions set forth in Section 2.4;

(x) the control of any matters affecting the rights and obligations of the Partnership, including the bringing and defending of actions at law or in equity and otherwise engaging in the conduct of litigation and the incurring of legal expense and the settlement of claims and litigation;

(xi) the indemnification of any Person against liabilities and contingencies to the extent permitted by law;

(xii) the entering into of listing agreements with any National Securities Exchange and the delisting of some or all of the Limited Partner Interests from, or requesting that trading be suspended on, any such exchange (subject to any prior approval that may be required under Section 4.8);

(xiii) the purchase, sale or other acquisition or disposition of Partnership Securities, or the issuance of additional options, rights, warrants and appreciation rights relating to Partnership Securities; and

(xiv) the undertaking of any action in connection with the Partnership's ownership or operation of any Group Member, including exercising, on behalf and for the benefit of the Partnership, the Partnership's rights as the sole stockholder of the Operating General Partner.

(b) Notwithstanding any other provision of this Agreement, the Operating Partnership Agreement, the Delaware Act or any applicable law, rule or regulation, each of the Partners and Assignees and each other Person who may acquire an interest in Partnership Securities hereby (i) approves, ratifies and confirms the execution, delivery and performance by the parties thereto of the Operating Partnership Agreement, the Underwriting Agreement, the Administrative Services Agreement, and the other agreements described in or filed as a part of the Registration Statement that are related to the transactions contemplated by the Registration Statement; (ii) agrees that the General Partner (on its own or through any officer of the Partnership) is authorized to execute, deliver and perform the agreements referred to in clause (i) of this sentence and the other agreements, acts, transactions and matters described in or contemplated by the Registration Statement on behalf of the Partnership without any further act, approval or vote of the Partners or the Assignees or the other Persons who may acquire an interest in Partnership Securities; and (iii) agrees that the execution, delivery or performance by the



General Partner, any Group Member or any Affiliate of any of them, of this Agreement or any agreement authorized or permitted under this Agreement (including the exercise by the General Partner or any Affiliate of the General Partner of the rights accorded pursuant to Article XV), shall not constitute a breach by the General Partner of any duty that the General Partner may owe the Partnership or the Limited Partners or the Assignees or any other Persons under this Agreement (or any other agreements) or of any duty stated or implied by law or equity.

7.2 *Certificate of Limited Partnership.* The General Partner has caused the Certificate of Limited Partnership to be filed with the Secretary of State of the State of Delaware as required by the Delaware Act and shall use all reasonable efforts to cause to be filed such other certificates or documents as may be determined by the General Partner in its sole discretion to be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware or any other state in which the Partnership may elect to do business or own property. To the extent that such action is determined by the General Partner in its sole discretion to be reasonable and necessary or appropriate, the General Partner shall file amendments to and restatements of the Certificate of Limited Partnership and do all things to maintain the Partnership as a limited partnership (or a partnership or other entity in which the limited partners have limited liability) under the laws of the State of Delaware or of any other state in which the Partnership may elect to do business or own property. Subject to the terms of Section 3.4(a), the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate of Limited Partnership, any qualification document or any amendment thereto to any Limited Partner.

7.3 *Restrictions on General Partner's Authority.*

(a) The General Partner may not, without written approval of the specific act by holders of all of the Outstanding Limited Partner Interests or by other written instrument executed and delivered by holders of all of the Outstanding Limited Partner Interests subsequent to the date of this Agreement, take any action in contravention of this Agreement, including, except as otherwise provided in this Agreement, (i) committing any act that would make it impossible to carry on the ordinary business of the Partnership; (ii) possessing Partnership property, or assigning any rights in specific Partnership property, for other than a Partnership purpose; (iii) admitting a Person as a Partner; (iv) amending this Agreement in any manner; or (v) transferring its interest as general partner of the Partnership.

(b) Except as provided in Articles XII and XIV, the General Partner may not sell, exchange or otherwise dispose of all or substantially all of the Partnership's assets in a single transaction or a series of related transactions (including by way of merger, consolidation or other combination) or approve on behalf of the Partnership the sale, exchange or other disposition of all or substantially all of the assets of the Partnership or the Operating Partnership, without the approval of holders of a Unit Majority and Special Approval; provided however that this provision shall not preclude or limit the General Partner's ability to mortgage, pledge, hypothecate or grant a security interest in all or substantially all of the assets of the Partnership or the Operating Partnership and shall not

apply to any forced sale of any or all of the assets of the Partnership or the Operating Partnership pursuant to the foreclosure of, or other realization upon, any such encumbrance. Without the approval of holders of a Unit Majority, the General Partner shall not, on behalf of the Partnership, (i) consent to any amendment to the Operating Partnership Agreement or, except as expressly permitted by [Section 7.9\(d\)](#), take any action permitted to be taken by a partner of the Operating Partnership, in either case, that would have a material adverse effect on the Partnership as a partner of the Operating Partnership or (ii) except as permitted under [Sections 4.6](#), [11.1](#) and [11.2](#), elect or cause the Partnership to elect a successor general partner of the Partnership.

*7.4 Reimbursement of the General Partner.*

(a) Except as provided in this [Section 7.4](#) and elsewhere in this Agreement or in the Operating Partnership Agreement, the General Partner shall not be compensated for its services as general partner of the Partnership or any Group Member.

(b) Subject to any applicable limitations contained in the Administrative Services Agreement, the General Partner shall be reimbursed on a monthly basis, or such other reasonable basis as the General Partner may determine in its sole discretion, for (i) all direct and indirect expenses it incurs or payments it makes on behalf of the Partnership (including amounts paid by the General Partner to EPCO under the Administrative Services Agreement and including salary, bonus, incentive compensation and other amounts paid to any Person, including Affiliates of the General Partner, to perform services for the Partnership or for the General Partner in the discharge of its duties to the Partnership), and (ii) all other necessary or appropriate expenses allocable to the Partnership or otherwise reasonably incurred by the General Partner in connection with operating the Partnership's business (including expenses allocated to the General Partner by its Affiliates). The General Partner shall determine the expenses that are allocable to the Partnership in any reasonable manner determined by the General Partner in its sole discretion. Reimbursements pursuant to this [Section 7.4](#) shall be in addition to any reimbursement to the General Partner as a result of indemnification pursuant to [Section 7.7](#).

(c) The General Partner, in its sole discretion and without the approval of the Limited Partners (who shall have no right to vote in respect thereof), may propose and adopt on behalf of the Partnership employee benefit and incentive plans, employee programs and employee practices (including plans, programs and practices involving the issuance of Partnership Securities or options to purchase Partnership Securities), or cause the Partnership to issue Partnership Securities in connection with, or pursuant to, any employee benefit plan, employee program or employee practice maintained or sponsored by the General Partner or any of its Affiliates, in each case for the benefit of employees of the General Partner, any Group Member or any Affiliate, or any of them, in respect of services performed, directly or indirectly, for the benefit of the Partnership Group. The Partnership agrees to issue and sell to the General Partner or any of its Affiliates, or directly to the applicable employees, any Partnership Securities that the General Partner or such Affiliate is obligated to provide to any employees pursuant to any such employee benefit plans, employee programs or employee practices. Expenses incurred by the

General Partner in connection with any such plans, programs and practices (including the net cost to the General Partner or such Affiliate of Partnership Securities purchased by the General Partner or such Affiliate (on behalf of the applicable employees) from the Partnership to fulfill options or awards under such plans, programs and practices) shall be reimbursed in accordance with Section 7.4(b). Any and all obligations of the General Partner under any employee benefit or incentive plans, employee programs or employee practices adopted by the General Partner as permitted by this Section 7.4(c) shall constitute obligations of the General Partner hereunder and shall be assumed by any successor General Partner approved pursuant to Section 11.1 or 11.2 or the transferee of or successor to all of the General Partner's Partnership Interest as the General Partner in the Partnership pursuant to Section 4.6.

7.5 *Outside Activities.*

(a) After the Closing Date, the General Partner, for so long as it is the general partner of the Partnership (i) agrees that its sole business will be to act as the general partner or managing member of the Partnership and any other partnership or limited liability company of which the Partnership is, directly or indirectly, a partner or managing member and to undertake activities that are ancillary or related thereto (including being a limited partner in the partnership), and (ii) shall not engage in any business or activity or incur any debts or liabilities except in connection with or incidental to its performance as general partner or managing member of one or more Group Members or as described in or contemplated by the Registration Statement.

(b) **[Reserved]**

(c) Except as specifically restricted by Section 7.5(a) and the Administrative Services Agreement, each Indemnitee (other than the General Partner) shall have the right to engage in businesses of every type and description and other activities for profit and to engage in and possess an interest in other business ventures of any and every type or description, whether in businesses engaged in or anticipated to be engaged in by any Group Member, independently or with others, including business interests and activities in direct competition with the business and activities of any Group Member, and none of the same shall constitute a breach of this Agreement or any duty express or implied by law to any Group Member or any Partner or Assignee. Neither any Group Member, any Limited Partner nor any other Person shall have any rights by virtue of this Agreement, the Operating Partnership Agreement or the partnership relationship established hereby or thereby in any business ventures of any Indemnitee.

(d) Subject to the terms of the Administrative Services Agreement and Section 7.5(a), 7.5(b), and 7.5(c), but otherwise notwithstanding anything to the contrary in this Agreement, (i) the engaging in competitive activities by any Indemnitees (other than the General Partner) in accordance with the provisions of this Section 7.5 is hereby approved by the Partnership and all Partners, (ii) it shall be deemed not to be a breach of the General Partner's fiduciary duty or any other obligation of any type whatsoever of the General Partner for the Indemnitees (other than the General Partner) to engage in such business interests and activities in preference to or to the exclusion of the Partnership and

(iii) the General Partner and the Indemnitees shall have no obligation to present business opportunities to the Partnership.

(e) The General Partner and any of its Affiliates may acquire Partnership Securities in addition to those acquired on the Closing Date and, except as otherwise provided in this Agreement, shall be entitled to exercise all rights of the General Partner or Limited Partner, as applicable, relating to such Partnership Securities.

(f) The term "Affiliates" when used in Sections 7.5(a) and 7.5(b) with respect to the General Partner shall not include any Group Member or any Subsidiary of the Group Member.

7.6 *Loans from the General Partner; Loans or Contributions from the Partnership; Contracts with Affiliates; Certain Restrictions on the General Partner.*

(a) The General Partner or its Affiliates may, but shall be under no obligation to, lend to any Group Member, upon the written request of any Group Member to the General Partner or any of its Affiliates, funds needed or desired by the Group Member for such periods of time and in such amounts as may be determined pursuant to Special Approval; provided, however, that in any such case the lending party may not (i) charge the borrowing party interest at a rate greater than the rate that would be charged the borrowing party or (ii) impose terms less favorable to the borrowing party than would be charged or imposed on the borrowing party by unrelated lenders on comparable loans made on an arm's-length basis (without reference to the lending party's financial abilities or guarantees), all as determined pursuant to Special Approval. The borrowing party shall reimburse the lending party for any costs (other than any additional interest costs) incurred by the lending party in connection with the borrowing of such funds. For purposes of this Section 7.6(a) and Section 7.6(b), the term "Group Member" shall include any Affiliate of a Group Member that is controlled by the Group Member. No Group Member may lend funds to the General Partner or any of its Affiliates (other than another Group Member).

(b) The Partnership may lend or contribute to any Group Member, and any Group Member may borrow from the Partnership, funds on terms and conditions established in the sole discretion of the General Partner; provided, however, that the Partnership may not charge the Group Member interest at a rate less than the rate that would be charged to the Group Member (without reference to the General Partner's financial abilities or guarantees) by unrelated lenders on comparable loans. The foregoing authority shall be exercised by the General Partner in its sole discretion and shall not create any right or benefit in favor of any Group Member or any other Person.

(c) The General Partner may itself, or may enter into an agreement, in addition to the Administrative Services Agreement, with any of its Affiliates to, render services to a Group Member or to the General Partner in the discharge of its duties as general partner of the Partnership. Any services rendered to a Group Member by the General Partner or any of its Affiliates shall be on terms that are fair and reasonable to the Partnership; provided, however, that the requirements of this Section 7.6(c) shall be

deemed satisfied as to (i) any transaction approved by Special Approval, or (ii) any transaction, the terms of which are objectively demonstrable to be no less favorable to the Partnership Group than those generally being provided to or available from unrelated third parties. The provisions of Section 7.4 shall apply to the rendering of services described in this Section 7.6(c).

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

(e) Neither the General Partner nor any of its Affiliates shall sell, transfer or convey any property to, or purchase any property from, the Partnership, directly or indirectly, except pursuant to transactions that are fair and reasonable to the Partnership; provided, however, that the requirements of this Section 7.6(e) shall be deemed to be satisfied as to (i) the transactions effected pursuant to Sections 5.2 and 5.3 and any other transactions described in or contemplated by the Registration Statement, (ii) any transaction approved by Special Approval, or (iii) any transaction, the terms of which are objectively demonstrable to be no less favorable to the Partnership than those generally being provided to or available from unrelated third parties. With respect to any contribution of assets to the Partnership in exchange for Partnership Securities, the Audit and Conflicts Committee, in determining (in connection with Special Approval) whether the appropriate number of Partnership Securities are being issued, may take into account, among other things, the fair market value of the assets, the liquidated and contingent liabilities assumed, the tax basis in the assets, the extent to which tax-only allocations to the transferor will protect the existing partners of the Partnership against a low tax basis, and such other factors as the Audit and Conflicts Committee deems relevant under the circumstances.

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

(g) Without limitation of Sections 7.6(a) through 7.6(f), and notwithstanding anything to the contrary in this Agreement, the existence of the conflicts of interest described in the Registration Statement are hereby approved by all Partners.

#### *7.7 Indemnification.*

(a) To the fullest extent permitted by law but subject to the limitations expressly provided in this Agreement, all Indemnitees shall be indemnified and held harmless by the Partnership from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, in

which any Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, as a result of actions taken by such Indemnitee in its capacity as a Person of the type described in clauses (a)-(d) of the definition of the term "Indemnitee"; provided, that in each case the Indemnitee acted in good faith and in a manner that such Indemnitee reasonably believed to be in, or (in the case of a Person other than the General Partner) not opposed to, the best interests of the Partnership and, with respect to any criminal proceeding, had no reasonable cause to believe its conduct was unlawful; provided, further, no indemnification pursuant to this Section 7.7 shall be available to the General Partner with respect to its obligations incurred pursuant to the Underwriting Agreement (other than obligations incurred by the General Partner on behalf of the Partnership or the Operating Partnership). The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that the Indemnitee acted in a manner contrary to that specified above. Any indemnification pursuant to this Section 7.7 shall be made only out of the assets of the Partnership, it being agreed that the General Partner shall not be personally liable for such indemnification and shall have no obligation to contribute or loan any monies or property to the Partnership to enable it to effectuate such indemnification.

(b) To the fullest extent permitted by law, expenses (including legal fees and expenses) incurred by an Indemnitee who is indemnified pursuant to Section 7.7(a) in defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Partnership prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Partnership of any undertaking by or on behalf of the Indemnitee to repay such amount if it shall be determined that the Indemnitee is not entitled to be indemnified as authorized in this Section 7.7.

(c) The indemnification provided by this Section 7.7 shall be in addition to any other rights to which an Indemnitee may be entitled under any agreement, pursuant to any vote of the holders of Outstanding Limited Partner Interests entitled to vote on such matter, as a matter of law or otherwise, both as to actions in the Indemnitee's capacity as a Person of the type described in clauses (a)-(d) of the definition of the term "Indemnitee", and as to actions in any other capacity (including any capacity under the Underwriting Agreement), and shall continue as to an Indemnitee who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, assigns and administrators of the Indemnitee.

(d) The Partnership may purchase and maintain (or reimburse the General Partner or its Affiliates for the cost of) insurance, on behalf of the General Partner, its Affiliates and such other Persons as the General Partner shall determine, against any liability that may be asserted against or expense that may be incurred by such Person in connection with the Partnership's activities or such Person's activities on behalf of the Partnership, regardless of whether the Partnership would have the power to indemnify such Person against such liability under the provisions of this Agreement.

(e) For purposes of this Section 7.7, the Partnership shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by it of its duties to the Partnership also imposes duties on, or otherwise

involves services by, it to the plan or participants or beneficiaries of the plan; excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall constitute “fines” within the meaning of Section 7.7(a); and action taken or omitted by the Indemnitee with respect to any employee benefit plan in the performance of its duties for a purpose reasonably believed by it to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose which is in, or not opposed to, the best interests of the Partnership.

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

(g) An Indemnitee shall not be denied indemnification in whole or in part under this Section 7.7 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

(h) The provisions of this Section 7.7 are for the benefit of the Indemnitees, their heirs, successors, assigns and administrators and shall not be deemed to create any rights for the benefit of any other Persons.

(i) No amendment, modification or repeal of this Section 7.7 or any provision hereof shall in any manner terminate, reduce or impair the right of any past, present or future Indemnitee to receive indemnification (including expense advancement as provided by Section 7.7(b)) from the Partnership, nor the obligations of the Partnership to indemnify, or advance the expenses of, any such Indemnitee under and in accordance with the provisions of this Section 7.7 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted, and provided such Person became an Indemnitee hereunder prior to such amendment, modification or repeal.

*7.8 Liability of Indemnitees.*

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

(b) Subject to its obligations and duties as General Partner set forth in Section 7.1(a), the General Partner may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents, and the General Partner shall not be responsible for any misconduct or negligence on the part of any such agent appointed by the General Partner in good faith.

(c) To the extent that, at law or in equity, an Indemnitee has duties (including fiduciary duties) and liabilities relating thereto to the Partnership or to the Partners, the

General Partner and any other Indemnitee acting in connection with the Partnership's business or affairs shall not be liable to the Partnership or to any Partner for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict or otherwise modify the duties and liabilities of an Indemnitee otherwise existing at law or in equity, are agreed by the Partners to replace such other duties and liabilities of such Indemnitee.

(d) Any amendment, modification or repeal of this Section 7.8 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the liability to the Partnership, the Limited Partners, the General Partner, and the Partnership's and General Partner's and the Operating General Partner's directors, officers and employees under this Section 7.8 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

7.9 *Resolution of Conflicts of Interest*.

(a) Unless otherwise expressly provided in this Agreement or the Operating Partnership Agreement, whenever a potential conflict of interest exists or arises between the General Partner or any of its Affiliates, on the one hand, and the Partnership, the Operating Partnership, any Partner or any Assignee, on the other, any resolution or course of action by the General Partner or its Affiliates in respect of such conflict of interest shall be permitted and deemed approved by all Partners, and shall not constitute a breach of this Agreement, of the Operating Partnership Agreement, of any agreement contemplated herein or therein, or of any duty stated or implied by law or equity, if the resolution or course of action is, or by operation of this Agreement is deemed to be, fair and reasonable to the Partnership; provided that, any conflict of interest and any resolution of such conflict of interest shall be conclusively deemed fair and reasonable to the Partnership if such conflict of interest or resolution is (i) approved by Special Approval (as long as the material facts within the actual knowledge of the officers and directors of the General Partner and EPCO regarding the proposed transaction were disclosed to the Audit and Conflicts Committee at the time it gave its approval), or (ii) on terms objectively demonstrable to be no less favorable to the Partnership than those generally being provided to or available from unrelated third parties. The Audit and Conflicts Committee (in connection with Special Approval) shall be authorized in connection with its determination of what is "fair and reasonable" to the Partnership and in connection with its resolution of any conflict of interest to consider (A) the relative interests of any party to such conflict, agreement, transaction or situation and the benefits and burdens relating to such interest; (B) any customary or accepted industry practices and any customary or historical dealings with a particular Person; (C) any applicable generally accepted accounting practices or principles; and (D) such additional factors as the Audit and Conflicts Committee determines in its sole discretion to be relevant, reasonable or appropriate under the circumstances. Nothing contained in this Agreement, however, is intended to nor shall it be construed to require the Audit and Conflicts Committee to consider the interests of any Person other than the Partnership. In the absence of bad faith by the General Partner, the resolution, action or terms so made, taken



or provided by the General Partner in compliance with this Section 7.9 with respect to such matter shall not constitute a breach of this Agreement or any other agreement contemplated herein or a breach of any standard of care or duty imposed herein or therein or, to the extent permitted by law, under the Delaware Act or any other law, rule or regulation.

(b) Whenever this Agreement or any other agreement contemplated hereby provides that the General Partner or any of its Affiliates is permitted or required to make a decision (i) in its “sole discretion” or “discretion,” that it deems “necessary or appropriate” or “necessary or advisable” or under a grant of similar authority or latitude, except as otherwise provided herein, the General Partner or such Affiliate shall be entitled to consider only such interests and factors as it desires and shall have no duty or obligation to give any consideration to any interest of, or factors affecting, the Partnership, the Operating Partnership, any Limited Partner or any Assignee, (ii) it may make such decision in its sole discretion ( regardless of whether there is a reference to “sole discretion” or “discretion”) unless another express standard is provided for, or (iii) in “good faith” or under another express standard, the General Partner or such Affiliate shall act under such express standard and shall not be subject to any other or different standards imposed by this Agreement, the Operating Partnership Agreement, any other agreement contemplated hereby or under the Delaware Act or any other law, rule or regulation. In addition, any actions taken by the General Partner or such Affiliate consistent with the standards of “reasonable discretion” set forth in the definitions of Available Cash or Operating Surplus shall not constitute a breach of any duty of the General Partner to the Partnership or the Limited Partners. The General Partner shall have no duty, express or implied, to sell or otherwise dispose of any asset of the Partnership Group other than in the ordinary course of business. No borrowing by any Group Member or the approval thereof by the General Partner shall be deemed to constitute a breach of any duty of the General Partner to the Partnership or the Limited Partners by reason of the fact that the purpose or effect of such borrowing is directly or indirectly to enable distributions to the General Partner or its Affiliates (including in their capacities as Limited Partners) to exceed that amount equal to the product of (i) the General Partner’s Percentage Interest, and (ii) the total amount distributed to all partners.

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

(d) The Unitholders hereby authorize the General Partner, on behalf of the Partnership as a partner or member of a Group Member, to approve of actions by the general partner or managing member of such Group Member similar to those actions permitted to be taken by the General Partner pursuant to this Section 7.9.

*7.10 Other Matters Concerning the General Partner.*

(a) The General Partner may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report,

notice, request, consent, order, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) The General Partner may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisers selected by it, and any act taken or omitted to be taken in reliance upon the opinion (including an Opinion of Counsel) of such Persons as to matters that the General Partner reasonably believes to be within such Person's professional or expert competence shall be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion.

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

(d) Any standard of care and duty imposed by this Agreement or under the Delaware Act or any applicable law, rule or regulation shall be modified, waived or limited, to the extent permitted by law, as required to permit the General Partner to act under this Agreement or any other agreement contemplated by this Agreement and to make any decision pursuant to the authority prescribed in this Agreement, so long as such action is reasonably believed by the General Partner to be in, or not inconsistent with, the best interests of the Partnership.

*7.11 Purchase or Sale of Partnership Securities.* The General Partner may cause the Partnership to purchase or otherwise acquire Partnership Securities, such Partnership Securities shall be held by the Partnership as treasury securities unless they are expressly cancelled by action of an appropriate officer of the General Partner. As long as Partnership Securities are held by any Group Member, such Partnership Securities shall not be considered Outstanding for any purpose, except as otherwise provided herein. The General Partner or any Affiliate of the General Partner may also purchase or otherwise acquire and sell or otherwise dispose of Partnership Securities for its own account, subject to the provisions of Articles IV and X.

*7.12 Registration Rights of the General Partner and its Affiliates.*

(a) If (i) the General Partner or any Affiliate of the General Partner (including for purposes of this Section 7.12, any Person that is an Affiliate of the General Partner at the date hereof notwithstanding that it may later cease to be an Affiliate of the General Partner) holds Partnership Securities that it desires to sell and (ii) Rule 144 of the Securities Act (or any successor rule or regulation to Rule 144) or another exemption from registration is not available to enable such holder of Partnership Securities (the "Holder") to dispose of the number of Partnership Securities it desires to sell at the time it desires to do so without registration under the Securities Act, then upon the request of the General Partner or any of its Affiliates, the Partnership shall file with the Commission as promptly as practicable after receiving such request, and use all reasonable efforts to

cause to become effective and remain effective for a period of not less than six months following its effective date or such shorter period as shall terminate when all Partnership Securities covered by such registration statement have been sold, a registration statement under the Securities Act registering the offering and sale of the number of Partnership Securities specified by the Holder; provided, however, that the Partnership shall not be required to effect more than three registrations pursuant to this [Section 7.12\(a\)](#); and provided further, however, that if at the time a request pursuant to this [Section 7.12](#) is submitted to the Partnership, EPCO or its Affiliates requesting registration is an Affiliate of the General Partner and the Audit and Conflicts Committee determines in its good faith judgment that a postponement of the requested registration for up to six months would be in the best interests of the Partnership and its Partners due to a pending transaction, investigation or other event, the filing of such registration statement or the effectiveness thereof may be deferred for up to six months, but not thereafter. In connection with any registration pursuant to the immediately preceding sentence, the Partnership shall promptly prepare and file (x) such documents as may be necessary to register or qualify the securities subject to such registration under the securities laws of such states as the Holder shall reasonably request; provided, however, that no such qualification shall be required in any jurisdiction where, as a result thereof, the Partnership would become subject to general service of process or to taxation or qualification to do business as a foreign corporation or partnership doing business in such jurisdiction solely as a result of such registration, and (y) such documents as may be necessary to apply for listing or to list the Partnership Securities subject to such registration on such National Securities Exchange as the Holder shall reasonably request, and do any and all other acts and things that may reasonably be necessary or advisable to enable the Holder to consummate a public sale of such Partnership Securities in such states. Except as set forth in [Section 7.12\(c\)](#), all costs and expenses of any such registration and offering (other than the underwriting discounts and commissions) shall be paid by the Partnership, without reimbursement by the Holder.

(b) If the Partnership shall at any time propose to file a registration statement under the Securities Act for an offering of equity securities of the Partnership for cash (other than an offering relating solely to an employee benefit plan), the Partnership shall use all reasonable efforts to include such number or amount of securities held by the Holder in such registration statement as the Holder shall request. If the proposed offering pursuant to this [Section 7.12\(b\)](#) shall be an underwritten offering, then, in the event that the managing underwriter or managing underwriters of such offering advise the Partnership and the Holder in writing that in their opinion the inclusion of all or some of the Holder's Partnership Securities would adversely and materially affect the success of the offering, the Partnership shall include in such offering only that number or amount, if any, of securities held by the Holder which, in the opinion of the managing underwriter or managing underwriters, will not so adversely and materially affect the offering. Except as set forth in [Section 7.12\(c\)](#), all costs and expenses of any such registration and offering (other than the underwriting discounts and commissions) shall be paid by the Partnership, without reimbursement by the Holder.

(c) If underwriters are engaged in connection with any registration referred to in this [Section 7.12](#), the Partnership shall provide indemnification, representations,

covenants, opinions and other assurance to the underwriters in form and substance reasonably satisfactory to such underwriters. Further, in addition to and not in limitation of the Partnership's obligation under Section 7.7, the Partnership shall, to the fullest extent permitted by law, indemnify and hold harmless the Holder, its officers, directors and each Person who controls the Holder (within the meaning of the Securities Act) and any agent thereof (collectively, "Indemnified Persons") against any losses, claims, demands, actions, causes of action, assessments, damages, liabilities (joint or several), costs and expenses (including interest, penalties and reasonable attorneys' fees and disbursements), resulting to, imposed upon, or incurred by the Indemnified Persons, directly or indirectly, under the Securities Act or otherwise (hereinafter referred to in this Section 7.12(c) as a "claim" and in the plural as "claims") based upon, arising out of or resulting from any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which any Partnership Securities were registered under the Securities Act or any state securities or Blue Sky laws, in any preliminary prospectus (if used prior to the effective date of such registration statement), or in any summary or final prospectus or in any amendment or supplement thereto (if used during the period the Partnership is required to keep the registration statement current), or arising out of, based upon or resulting from the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements made therein not misleading; provided, however, that the Partnership shall not be liable to any Indemnified Person to the extent that any such claim arises out of, is based upon or results from an untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement, such preliminary, summary or final prospectus or such amendment or supplement, in reliance upon and in conformity with written information furnished to the Partnership by or on behalf of such Indemnified Person specifically for use in the preparation thereof.

(d) The provisions of Section 7.12(a) and 7.12(b) shall continue to be applicable with respect to the General Partner (and any of the General Partner's Affiliates) after it ceases to be a Partner of the Partnership, during a period of two years subsequent to the effective date of such cessation and for so long thereafter as is required for the Holder to sell all of the Partnership Securities with respect to which it has requested during such two-year period inclusion in a registration statement otherwise filed or that a registration statement be filed; provided, however, that the Partnership shall not be required to file successive registration statements covering the same Partnership Securities for which registration was demanded during such two-year period. The provisions of Section 7.12(c) shall continue in effect thereafter.

(e) Any request to register Partnership Securities pursuant to this Section 7.12 shall (i) specify the Partnership Securities intended to be offered and sold by the Person making the request, (ii) express such Person's present intent to offer such shares for distribution, (iii) describe the nature or method of the proposed offer and sale of Partnership Securities, and (iv) contain the undertaking of such Person to provide all such information and materials and take all action as may be required in order to permit the Partnership to comply with all applicable requirements in connection with the registration of such Partnership Securities.

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

**ARTICLE VIII  
BOOKS, RECORDS, ACCOUNTING AND REPORTS**

8.1 *Records and Accounting.* The General Partner shall keep or cause to be kept at the principal office of the Partnership appropriate books and records with respect to the Partnership's business, including all books and records necessary to provide to the Limited Partners any information required to be provided pursuant to [Section 3.4\(a\)](#). Any books and records maintained by or on behalf of the Partnership in the regular course of its business, including the record of the Record Holders and Assignees of Units or other Partnership Securities, books of account and records of Partnership proceedings, may be kept on, or be in the form of, computer disks, hard drives, punch cards, magnetic tape, photographs, micrographics or any other information storage device; provided, that the books and records so maintained are convertible into clearly legible written form within a reasonable period of time. The books of the Partnership shall be maintained, for financial reporting purposes, on an accrual basis in accordance with U.S. GAAP or such other accounting standards as may be required by the U.S. Securities and Exchange Commission.

8.2 *Fiscal Year.* The fiscal year of the Partnership shall be a fiscal year ending December 31.

8.3 *Reports.*

(a) As soon as practicable, but in no event later than 120 days after the close of each fiscal year of the Partnership, the General Partner shall cause to be mailed or furnished to each Record Holder of a Unit as of a date selected by the General Partner in

its discretion, an annual report containing financial statements of the Partnership for such fiscal year of the Partnership, presented in accordance with U.S. GAAP or such other accounting standards as may be required by the U.S. Securities and Exchange Commission, including a balance sheet and statements of operations, Partnership equity and cash flows, such statements to be audited by a firm of independent public accountants selected by the General Partner.

(b) As soon as practicable, but in no event later than 90 days after the close of each Quarter except the last Quarter of each fiscal year, the General Partner shall cause to be mailed or furnished to each Record Holder of a Unit, as of a date selected by the General Partner in its discretion, such information as may be required by applicable law, regulation or rule of any National Securities Exchange on which the Units are listed for trading, or as the General Partner determines to be necessary or appropriate.

(c) Such reports shall present the consolidated financial position of the Partnership Group, but shall not consolidate the assets or liabilities of any other Person. Such reports shall contain notes indicating that the assets and liabilities of the Partnership Group are separate from the assets and liabilities of EPCO and the other Affiliates of the General Partner.

#### ARTICLE IX TAX MATTERS

9.1 *Tax Returns and Information.* The Partnership shall timely file all returns of the Partnership that are required for federal, state and local income tax purposes on the basis of the accrual method and a taxable year ending on December 31. The tax information reasonably required by Record Holders for federal and state income tax reporting purposes with respect to a taxable year shall be furnished to them within 90 days of the close of the calendar year in which the Partnership's taxable year ends. The classification, realization and recognition of income, gain, losses and deductions and other items shall be on the accrual method of accounting for federal income tax purposes.

9.2 *Tax Elections.*

(a) The Partnership shall make the election under Section 754 of the Code in accordance with applicable regulations thereunder, subject to the reservation of the right to seek to revoke any such election upon the General Partner's determination that such revocation is in the best interests of the Limited Partners. Notwithstanding any other provision herein contained, for the purposes of computing the adjustments under Section 743(b) of the Code, the General Partner shall be authorized (but not required) to adopt a convention whereby the price paid by a transferee of a Limited Partner Interest that is traded on any National Securities Exchange will be deemed to be the lowest quoted closing price of such Limited Partner Interests on any National Securities Exchange on which such Limited Partner Interests are traded during the calendar month in which such transfer is deemed to occur pursuant to Section 6.2(g) without regard to the actual price paid by such transferee.

- (b) The Partnership shall elect to deduct expenses incurred in organizing the Partnership ratably over a sixty-month period as provided in Section 709 of the Code.
- (c) Except as otherwise provided herein, the General Partner shall determine whether the Partnership should make any other elections permitted by the Code.

9.3 *Tax Controversies.* Subject to the provisions hereof, the General Partner is designated as the Tax Matters Partner (as defined in the Code) and is authorized and required to represent the Partnership (at the Partnership's expense) in connection with all examinations of the Partnership's affairs by tax authorities, including resulting administrative and judicial proceedings, and to expend Partnership funds for professional services and costs associated therewith. Each Partner agrees to cooperate with the General Partner and to do or refrain from doing any or all things reasonably required by the General Partner to conduct such proceedings.

9.4 *Withholding.* Notwithstanding any other provision of this Agreement, the General Partner is authorized to take any action that it determines in its discretion to be necessary or appropriate to cause the Partnership to comply with any withholding requirements established under the Code or any other federal, state or local law including, without limitation, pursuant to Sections 1441, 1442, 1445 and 1446 of the Code. To the extent that the Partnership is required or elects to withhold and pay over to any taxing authority any amount resulting from the allocation or distribution of income to any Partner or Assignee (including, without limitation, by reason of Section 1446 of the Code), the amount withheld may at the discretion of the General Partner be treated by the Partnership as a distribution of cash pursuant to Section 6.3 in the amount of such withholding from such Partner.

#### ARTICLE X ADMISSION OF PARTNERS

10.1 *Admission of Initial Limited Partners.* Upon the issuance by the Partnership of Common Units and subordinated units of the Partnership to DFI, as described in Section 5.2, DFI was admitted to the Partnership as a Limited Partner in respect of the Units issued to it. Upon the issuance by the Partnership of Common Units to the Underwriters as described in Section 5.3 in connection with the Initial Offering and the execution by each Underwriter of a Transfer Application, the General Partner admitted the Underwriters to the Partnership as Initial Limited Partners in respect of the Common Units purchased by them. Upon the issuance by the Partnership of Class A Special Units to Tejas as described in Section 5.3, the General Partner admitted Tejas to the Partnership as an Initial Limited Partner in respect of the Class A Special Units issued to Tejas.

10.2 *Admission of Substituted Limited Partner.* By transfer of a Limited Partner Interest in accordance with Article IV, the transferor shall be deemed to have given the transferee the right to seek admission as a Substituted Limited Partner subject to the conditions of, and in the manner permitted under, this Agreement. A transferor of a Certificate representing a Limited Partner Interest, or other evidence of the issuance of uncertificated Units, shall, however, only have the authority to convey to a purchaser or other transferee who does not execute and deliver a Transfer Application (a) the right to negotiate such Certificate, or other evidence of the issuance of uncertificated Units, to a purchaser or other transferee and (b) the right to transfer the

right to request admission as a Substituted Limited Partner to such purchaser or other transferee in respect of the transferred Limited Partner Interests. Each transferee of a Limited Partner Interest (including any nominee holder or an agent acquiring such Limited Partner Interest for the account of another Person) who executes and delivers a Transfer Application shall, by virtue of such execution and delivery, be an Assignee and be deemed to have applied to become a Substituted Limited Partner with respect to the Limited Partner Interests so transferred to such Person. Such Assignee shall become a Substituted Limited Partner (x) at such time as the General Partner consents thereto, which consent may be given or withheld in the General Partner's discretion, and (y) when any such admission is shown on the books and records of the Partnership. If such consent is withheld, such transferee shall be an Assignee. An Assignee shall have an interest in the Partnership equivalent to that of a Limited Partner with respect to allocations and distributions, including liquidating distributions, of the Partnership. With respect to voting rights attributable to Limited Partner Interests that are held by Assignees, the General Partner shall be deemed to be the Limited Partner with respect thereto and shall, in exercising the voting rights in respect of such Limited Partner Interests on any matter, vote such Limited Partner Interests at the written direction of the Assignee who is the Record Holder of such Limited Partner Interests. If no such written direction is received, such Limited Partner Interests will not be voted. An Assignee shall have no other rights of a Limited Partner.

*10.3 Admission of Successor General Partner.* A successor General Partner approved pursuant to [Section 11.1](#) or [11.2](#) or the transferee of or successor to all of the General Partner's Partnership Interest as general partner in the Partnership pursuant to [Section 4.6](#) who is proposed to be admitted as a successor General Partner shall be admitted to the Partnership as the General Partner, effective immediately prior to the withdrawal or removal of the predecessor or transferring General Partner pursuant to [Section 11.1](#) or [11.2](#) or the transfer of the General Partner's Partnership Interest as a general partner in the Partnership pursuant to [Section 4.6](#); provided, however, that no such successor shall be admitted to the Partnership until compliance with the terms of [Section 4.6](#) has occurred and such successor has executed and delivered such other documents or instruments as may be required to effect such admission. Any such successor shall, subject to the terms hereof, carry on the business of the members of the Partnership Group without dissolution.

*10.4 Admission of Additional Limited Partners.*

(a) A Person (other than the General Partner, an Initial Limited Partner or a Substituted Limited Partner) who makes or is deemed to have made a Capital Contribution to the Partnership in accordance with this Agreement shall be admitted to the Partnership as an Additional Limited Partner only upon furnishing to the General Partner (i) evidence of acceptance in form satisfactory to the General Partner of all of the terms and conditions of this Agreement, including the power of attorney granted in [Section 2.6](#), and (ii) such other documents or instruments as may be required in the discretion of the General Partner to effect such Person's admission as an Additional Limited Partner.

(b) Notwithstanding anything to the contrary in this [Section 10.4](#), no Person shall be admitted as an Additional Limited Partner without the consent of the General Partner, which consent may be given or withheld in the General Partner's sole discretion.



The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded as such in the books and records of the Partnership, following the consent of the General Partner to such admission.

10.5 *Amendment of Agreement and Certificate of Limited Partnership.* To effect the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Delaware Act to amend the records of the Partnership to reflect such admission and, if necessary, to prepare as soon as practicable an amendment to this Agreement and, if required by law, the General Partner shall prepare and file an amendment to the Certificate of Limited Partnership, and the General Partner may for this purpose, among others, exercise the power of attorney granted pursuant to [Section 2.6](#).

**ARTICLE XI  
WITHDRAWAL OR REMOVAL OF PARTNERS**

11.1 *Withdrawal of the General Partner.*

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

- (i) the General Partner voluntarily withdraws from the Partnership by receiving Special Approval and giving notice to the other Partners;
- (ii) the General Partner transfers all of its rights as General Partner pursuant to [Section 4.6](#) following the receipt of Special Approval thereof;
- (iii) the General Partner is removed pursuant to [Section 11.2](#);

(iv) the General Partner (A) makes a general assignment for the benefit of creditors; (B) files a voluntary bankruptcy petition for relief under Chapter 7 of the United States Bankruptcy Code; (C) files a petition or answer seeking for itself a liquidation, dissolution or similar relief (but not a reorganization) under any law; (D) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the General Partner in a proceeding of the type described in clauses (A)-(C) of this [Section 11.1\(a\)\(iv\)](#); or (E) seeks, consents to or acquiesces in the appointment of a trustee (but not a debtor-in-possession), receiver or liquidator of the General Partner or of all or any substantial part of its properties;

(v) a final and non-appealable order of relief under Chapter 7 of the United States Bankruptcy Code is entered by a court with appropriate jurisdiction pursuant to a voluntary or involuntary petition by or against the General Partner; or

(vi) (A) in the event the General Partner is a corporation, a certificate of dissolution or its equivalent is filed for the General Partner, or 90 days expire after the date of notice to the General Partner of revocation of its charter without a

reinstatement of its charter, under the laws of its state of incorporation; (B) in the event the General Partner is a partnership or a limited liability company, the dissolution and commencement of winding up of the General Partner; (C) in the event the General Partner is acting in such capacity by virtue of being a trustee of a trust, the termination of the trust; (D) in the event the General Partner is a natural person, his death or adjudication of incompetency; and (E) otherwise in the event of the termination of the General Partner.

If an Event of Withdrawal specified in Section 11.1(a)(ix), (x) or (xi)(A), (B), (C), or (E), occurs, the withdrawing General Partner shall give notice to the Limited Partners within 30 days after such occurrence. The Partners hereby agree that only the Events of Withdrawal described in this Section 11.1 shall result in the withdrawal of the General Partner from the Partnership.

(b) Withdrawal of the General Partner from the Partnership upon the occurrence of an Event of Withdrawal shall not constitute a breach of this Agreement under the following circumstances: (i) the General Partner voluntarily withdraws by giving at least 90 days' advance notice to the Unitholders, such withdrawal to take effect on the date specified in such notice; (ii) at any time that the General Partner ceases to be the General Partner pursuant to Section 11.1(a)(ii) or is removed pursuant to Section 11.2; or (iii) notwithstanding clause (i) of this sentence, at any time that the General Partner voluntarily withdraws by giving at least 90 days' advance notice of its intention to withdraw to the Limited Partners, such withdrawal to take effect on the date specified in the notice, if at the time such notice is given one Person and its Affiliates (other than the General Partner and its Affiliates) own beneficially or of record or control at least 50% of the Outstanding Units. The withdrawal of the General Partner from the Partnership upon the occurrence of an Event of Withdrawal shall also constitute the withdrawal of the General Partner as general partner or managing member, as the case may be, of the other Group Members. If the General Partner gives a notice of withdrawal pursuant to Section 11.1(a)(i), the holders of a Unit Majority, may, prior to the effective date of such withdrawal, elect a successor General Partner. The Person so elected as successor General Partner shall automatically become the successor general partner or managing member, as the case may be, of the other Group Members of which the General Partner is a general partner or managing member. If, prior to the effective date of the General Partner's withdrawal, a successor is not selected by the Unitholders as provided herein or the Partnership does not receive an Opinion of Counsel ("Withdrawal Opinion of Counsel") that such withdrawal (following the selection of the successor General Partner) would not result in the loss of the limited liability of any Limited Partner or of a member of the Operating Partnership or cause the Partnership or the Operating Partnership to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not previously treated as such), the Partnership shall be dissolved in accordance with Section 12.1. Any successor General Partner elected in accordance with the terms of this Section 11.1 shall be subject to the provisions of Section 10.3.

**11.2 Removal of the General Partner.** The General Partner may be removed if such removal is approved by Unitholders holding at least 60% of the Outstanding Units (including Units held by the General Partner and its Affiliates). Any such action by such holders for

removal of the General Partner must also provide for the election of a successor General Partner by the Unitholders holding a Unit Majority. Such removal shall be effective immediately following the admission of a successor General Partner pursuant to [Section 10.3](#). The removal of the General Partner shall also automatically constitute the removal of the General Partner as general partner or managing member, as the case may be, of the other Group Members of which the General Partner is a general partner or managing member. If a Person is elected as a successor General Partner in accordance with the terms of this [Section 11.2](#), such Person shall, upon admission pursuant to Section 10.3, automatically become a successor general partner or managing member, as the case may be, of the other Group Members of which the General Partner is a general partner or managing member. The right of the holders of Outstanding Units to remove the General Partner shall not exist or be exercised unless the Partnership has received an opinion opining as to the matters covered by a Withdrawal Opinion of Counsel. Any successor General Partner elected in accordance with the terms of this [Section 11.2](#) shall be subject to the provisions of [Sections 10.3](#) and [10.5](#).

*11.3 Interest of Departing Partner and Successor General Partner.*

(a) In the event of (i) withdrawal of the General Partner under circumstances where such withdrawal does not violate this Agreement or (ii) removal of the General Partner by the holders of Outstanding Units under circumstances where Cause does not exist, if a successor General Partner is elected in accordance with the terms of [Section 11.1](#) or [11.2](#), the Departing Partner shall have the option exercisable prior to the effective date of the departure of such Departing Partner to require its successor to purchase its Partnership Interest as a general partner in the Partnership and its partnership or member interest as the general partner or managing member in the other Group Members (collectively, the "Combined Interest") in exchange for an amount in cash equal to the fair market value of such Combined Interest, such amount to be determined and payable as of the effective date of its departure or, if there is not agreement as to the fair market value of such Combined Interest, within ten (10) days after such agreement is reached. If the General Partner is removed by the Unitholders under circumstances where Cause exists or if the General Partner withdraws under circumstances where such withdrawal violates this Agreement, and if a successor General Partner is elected in accordance with the terms of [Section 11.1](#) or [11.2](#), such successor shall have the option, exercisable prior to the effective date of the departure of such Departing Partner, to purchase the Combined Interest for such fair market value of such Combined Interest. In either event, the Departing Partner shall be entitled to receive all reimbursements due such Departing Partner pursuant to [Section 7.4](#), including any employee-related liabilities (including severance liabilities), incurred in connection with the termination of any employees employed by the General Partner for the benefit of the Partnership or the other Group Members.

(b) For purposes of this [Section 11.3\(a\)](#), the fair market value of the Combined Interest shall be determined by agreement between the Departing Partner and its successor or, failing agreement within 30 days after the effective date of such Departing Partner's departure, by an independent investment banking firm or other independent expert selected by the Departing Partner and its successor, which, in turn, may rely on other experts, and the determination of which shall be conclusive as to such

matter. If such parties cannot agree upon one independent investment banking firm or other independent expert within 45 days after the effective date of such departure, then the Departing Partner shall designate an independent investment banking firm or other independent expert, the Departing Partner's successor shall designate an independent investment banking firm or other independent expert, and such firms or experts shall mutually select a third independent investment banking firm or independent expert, which third independent investment banking firm or other independent expert shall determine the fair market value of the Combined Interest. In making its determination, such third independent investment banking firm or other independent expert may consider the then current trading price of Units on any National Securities Exchange on which Units are then listed, the value of the Partnership's assets, the rights and obligations of the Departing Partner and other factors it may deem relevant.

(c) If the Combined Interest is not purchased in the manner set forth in Section 11.3(a), the Departing Partner (or its transferee) shall become a Limited Partner and its Combined Interest shall be converted into Common Units pursuant to a valuation made by an investment banking firm or other independent expert selected pursuant to Section 11.3(a), without reduction in such Partnership Interest (but subject to proportionate dilution by reason of the admission of its successor). Any successor General Partner shall indemnify the Departing Partner (or its transferee) as to all debts and liabilities of the Partnership arising on or after the date on which the Departing Partner (or its transferee) becomes a Limited Partner. For purposes of this Agreement, conversion of the Combined Interest to Common Units will be characterized as if the General Partner (or its transferee) contributed its Combined Interest to the Partnership in exchange for the newly issued Common Units.

11.4 **[Reserved]**

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

## ARTICLE XII DISSOLUTION AND LIQUIDATION

12.1 *Dissolution.* The Partnership shall not be dissolved by the admission of Substituted Limited Partners or Additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the removal or withdrawal of the General Partner, if a successor General Partner is elected pursuant to Section 11.1 or 11.2, the Partnership shall not be dissolved and such successor General Partner shall continue the business of the Partnership. The Partnership shall dissolve, and (subject to Section 12.2) its affairs shall be wound up, upon:

- (a) the expiration of its term as provided in Section 2.7;

(b) an Event of Withdrawal of the General Partner as provided in Section 11.1(a) (other than Section 11.1(a)(ii)), unless a successor is elected and an Opinion of Counsel is received as provided in Section 11.1(b) or 11.2 and such successor is admitted to the Partnership pursuant to Section 10.3;

(c) an election to dissolve the Partnership by the General Partner that receives Special Approval and is approved by the holders of a Unit Majority;

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

(e) the sale of all or substantially all of the assets and properties of the Partnership Group.

**12.2** *Continuation of the Business of the Partnership After Dissolution.* Upon (a) dissolution of the Partnership following an Event of Withdrawal caused by the withdrawal or removal of the General Partner as provided in Section 11.1(a)(i) or (iii) and the failure of the Partners to select a successor to such Departing Partner pursuant to Section 11.1 or 11.2, then within 90 days thereafter, or (b) dissolution of the Partnership upon an event constituting an Event of Withdrawal as defined in Section 11.1(a)(iv), (v) or (vi), then, to the maximum extent permitted by law, within 180 days thereafter, the holders of a Unit Majority may elect to reconstitute the Partnership and continue its business on the same terms and conditions set forth in this Agreement by forming a new limited partnership on terms identical to those set forth in this Agreement and having as the successor general partner a Person approved by the holders of a Unit Majority. Unless such an election is made within the applicable time period as set forth above, the Partnership shall conduct only activities necessary to wind up its affairs. If such an election is so made, then:

(i) the reconstituted Partnership shall continue until the end of the term set forth in Section 2.7 unless earlier dissolved in accordance with this Article XII;

(ii) if the successor General Partner is not the former General Partner, then the interest of the former General Partner shall be treated in the manner provided in Section 11.3; and

(iii) all necessary steps shall be taken to cancel this Agreement and the Certificate of Limited Partnership and to enter into and, as necessary, to file a new partnership agreement and certificate of limited partnership, and the successor general partner may for this purpose exercise the powers of attorney granted the General Partner pursuant to Section 2.6; provided, that the right of the holders of a Unit Majority to approve a successor General Partner and to reconstitute and to continue the business of the Partnership shall not exist and may not be exercised unless the Partnership has received an Opinion of Counsel that (x) the exercise of the right would not result in the loss of limited liability of any Limited Partner and (y) neither the Partnership, the reconstituted limited partnership nor the Operating Partnership would be treated as an association taxable as a corporation or

otherwise be taxable as an entity for federal income tax purposes upon the exercise of such right to continue.

12.3 *Liquidator.* Upon dissolution of the Partnership, unless the Partnership is continued under an election to reconstitute and continue the Partnership pursuant to [Section 12.2](#), the General Partner shall select one or more Persons to act as Liquidator. The Liquidator (if other than the General Partner) shall be entitled to receive such compensation for its services as may be approved by holders of at least a majority of the Outstanding Common Units. The Liquidator (if other than the General Partner) shall agree not to resign at any time without 15 days' prior notice and may be removed at any time, with or without cause, by notice of removal approved by holders of at least a majority of the Outstanding Common Units. Upon dissolution, removal or resignation of the Liquidator, a successor and substitute Liquidator (who shall have and succeed to all rights, powers and duties of the original Liquidator) shall within 30 days thereafter be approved by holders of at least a majority of the Outstanding Common Units. The right to approve a successor or substitute Liquidator in the manner provided herein shall be deemed to refer also to any such successor or substitute Liquidator approved in the manner herein provided. Except as expressly provided in this [Article XII](#), the Liquidator approved in the manner provided herein shall have and may exercise, without further authorization or consent of any of the parties hereto, all of the powers conferred upon the General Partner under the terms of this Agreement (but subject to all of the applicable limitations, contr actual and otherwise, upon the exercise of such powers, other than the limitation on sale set forth in [Section 7.3\(b\)](#)) to the extent necessary or desirable in the good faith judgment of the Liquidator to carry out the duties and functions of the Liquidator hereunder for and during such period of time as shall be reasonably required in the good faith judgment of the Liquidator to complete the winding up and liquidation of the Partnership as provided for herein.

12.4 *Liquidation.* The Liquidator shall proceed to dispose of the assets of the Partnership, discharge its liabilities, and otherwise wind up its affairs in such manner and over such period as the Liquidator determines to be in the best interest of the Partners, subject to Section 17-804 of the Delaware Act and the following:

(a) *Disposition of Assets.* The assets may be disposed of by public or private sale or by distribution in kind to one or more Partners on such terms as the Liquidator and such Partner or Partners may agree. If any property is distributed in kind, the Partner receiving the property shall be deemed for purposes of [Section 12.4\(c\)](#) to have received cash equal to its fair market value; and contemporaneously therewith, appropriate cash distributions must be made to the other Partners. The Liquidator may, in its absolute discretion, defer liquidation or distribution of the Partnership's assets for a reasonable time if it determines that an immediate sale or distribution of all or some of the Partnership's assets would be impractical or would cause undue loss to the Partners. The Liquidator may, in its absolute discretion, distribute the Partnership's assets, in whole or in part, in kind if it determines that a sale would be impractical or would cause undue loss to the Partners.

(b) *Discharge of Liabilities.* Liabilities of the Partnership include amounts owed to Partners otherwise than in respect of their distribution rights under [Article VI](#). With respect to any liability that is contingent, conditional or unmatured or is otherwise

not yet due and payable, the Liquidator shall either settle such claim for such amount as it thinks appropriate or establish a reserve of cash or other assets to provide for its payment. When paid, any unused portion of the reserve shall be distributed as additional liquidation proceeds.

(c) **Liquidation Distributions.** All property and all cash in excess of that required to discharge liabilities as provided in Section 12.4(b) shall be distributed to the Partners in accordance with, and to the extent of, the positive balances in their respective Capital Accounts, as determined after taking into account all Capital Account adjustments (other than those made by reason of distributions pursuant to this Section 12.4(c)) for the taxable year of the Partnership during which the liquidation of the Partnership occurs (with such date of occurrence being determined pursuant to Treasury Regulation Section 1.704-1(b)(2)(ii)(g)), and such distribution shall be made by the end of such taxable year (or, if later, within 90 days after said date of such occurrence).

**12.5 Cancellation of Certificate of Limited Partnership.** Upon the completion of the distribution of Partnership cash and property as provided in Section 12.4 in connection with the liquidation of the Partnership, the Partnership shall be terminated and the Certificate of Limited Partnership and all qualifications of the Partnership as a foreign limited partnership in jurisdictions other than the State of Delaware shall be canceled and such other actions as may be necessary to terminate the Partnership shall be taken.

**12.6 Return of Contributions.** The General Partner shall not be personally liable for, and shall have no obligation to contribute or loan any monies or property to the Partnership to enable it to effectuate, the return of the Capital Contributions of the Limited Partners or Unitholders, or any portion thereof, it being expressly understood that any such return shall be made solely from Partnership assets.

**12.7 Waiver of Partition.** To the maximum extent permitted by law, each Partner hereby waives any right to partition of the Partnership property.

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

**12.9 Certain Prohibited Acts.** Without obtaining Special Approval, the General Partner shall not take any action to cause the Partnership or the Operating Partnership to (i) make or consent to a general assignment for the benefit of the Partnership's or the Operating Partnership's creditors; (ii) file or consent to the filing of any bankruptcy, insolvency or reorganization petition for relief under the United States Bankruptcy Code naming the Partnership or the Operating Partnership or otherwise seek, with respect to the Partnership or the Operating Partnership, relief from debts or protection from creditors generally; (iii) file or consent to the filing of a petition or answer seeking for the Partnership or the Operating Partnership a liquidation, dissolution, arrangement, or similar relief under any law; (iv) file an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Partnership or the Operating Partnership in a proceeding of the type described in clauses (i) – (iii) of this Section 12.9; (v) seek, consent to or acquiesce in the appointment of a receiver, liquidator, conservator, assignee, trustee, sequestrator, custodian or any similar official

for the Partnership or the Operating Partnership or for all or any substantial portion of its properties; (vi) sell all or substantially all of its assets, except in accordance with Section 7.3(b); (vii) dissolve or liquidate, except in accordance with Article XII; or (viii) merge or consolidate, except in accordance with Article XIV.

**ARTICLE XIII  
AMENDMENT OF PARTNERSHIP AGREEMENT; MEETINGS; RECORD DATE**

13.1 *Amendment to be Adopted Solely by the General Partner.* Each Partner agrees that the General Partner, without the approval of any Partner or Assignee, may amend any provision of this Agreement and execute, swear to, acknowledge, deliver, file and record whatever documents may be required in connection therewith, to reflect:

- (a) a change in the name of the Partnership, the location of the principal place of business of the Partnership, the registered agent of the Partnership or the registered office of the Partnership;
- (b) admission, substitution, withdrawal or removal of Partners in accordance with this Agreement;
- (c) a change that, in the sole discretion of the General Partner, is necessary or advisable to qualify or continue the qualification of the Partnership as a limited partnership or a partnership in which the Limited Partners have limited liability under the laws of any state or to ensure that no Group Member will be treated as an association taxable as a corporation or otherwise taxed as an entity for federal income tax purposes;
- (d) a change that, in the discretion of the General Partner, (i) does not adversely affect the Limited Partners in any material respect, (ii) is necessary or advisable to (A) satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any federal or state agency or judicial authority or contained in any federal or state statute (including the Delaware Act) or (B) facilitate the trading of the Limited Partner Interests (including the division of any class or classes of Outstanding Limited Partner Interests into different classes to facilitate uniformity of tax consequences within such classes of Limited Partner Interests) or comply with any rule, regulation, guideline or requirement of any National Securities Exchange on which the Limited Partner Interests are or will be listed for trading, compliance with any of which the General Partner determines in its discretion to be in the best interests of the Partnership and the Limited Partners, (iii) is necessary or advisable in connection with action taken by the General Partner pursuant to Section 5.10 or (iv) is required to effect the intent expressed in the Registration Statement or the intent of the provisions of this Agreement or is otherwise contemplated by this Agreement;
- (e) a change in the fiscal year or taxable year of the Partnership and any changes that, in the discretion of the General Partner, are necessary or advisable as a result of a change in the fiscal year or taxable year of the Partnership including, if the General Partner shall so determine, a change in the definition of "Quarter" and the dates on which distributions are to be made by the Partnership;



(f) an amendment that is necessary, in the Opinion of Counsel, to prevent the Partnership, or the General Partner or its directors, officers, trustees or agents from in any manner being subjected to the provisions of the Investment Company Act of 1940, as amended, the Investment Advisers Act of 1940, as amended, or “plan asset” regulations adopted under the Employee Retirement Income Security Act of 1974, as amended, regardless of whether such are substantially similar to plan asset regulations currently applied or proposed by the United States Department of Labor;

(g) an amendment that, in the discretion of the General Partner, is necessary or advisable in connection with the authorization of issuance of any class or series of Partnership Securities pursuant to Section 5.6;

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

(i) an amendment effected, necessitated or contemplated by a Merger Agreement approved in accordance with Section 14.3;

(j) an amendment that, in the discretion of the General Partner, is necessary or advisable to reflect, account for and deal with appropriately the formation by the Partnership of, or investment by the Partnership in, any corporation, partnership, joint venture, limited liability company or other entity other than the Operating Partnership, in connection with the conduct by the Partnership of activities permitted by the terms of Section 2.4;

(k) a merger or conveyance pursuant to Section 14.3(d); or

(l) any other amendments substantially similar to the foregoing.

**13.2 Amendment Procedures.** Except as provided in Sections 13.1 and 13.3, all amendments to this Agreement shall be made in accordance with the following requirements. Amendments to this Agreement may be proposed only by or with the consent of the General Partner which consent may be given or withheld in its sole discretion. A proposed amendment shall be effective upon its approval by the holders of a Unit Majority, unless a greater or different percentage is required under this Agreement or by Delaware law. Each proposed amendment that requires the approval of the holders of a specified percentage of Outstanding Units shall be set forth in a writing that contains the text of the proposed amendment. If such an amendment is proposed, the General Partner shall seek the written approval of the requisite percentage of Outstanding Units or call a meeting of the Unitholders to consider and vote on such proposed amendment. The General Partner shall notify all Record Holders upon final adoption of any such proposed amendments. Notwithstanding the provisions of Sections 13.1 and 13.2, no amendment of (i) the definitions of “Audit and Conflicts Committee,” “Special Approval” or “S&P Criteria,” (ii) Section 2.9, (iii) Section 4.6, (iv) Section 7.3(b), (v) Section 7.9(a), (vi) Section 8.3(c), (vii) Section 10.3, (viii) Section 12.9, (ix) Section 14.2, or (x) any other provision of this Agreement requiring that Special Approval be obtained as a condition to any action, shall be effective without first obtaining Special Approval.

13.3 *Amendment Requirements.*

(a) Notwithstanding the provisions of Sections 13.1 and 13.2, no provision of this Agreement that establishes a percentage of Outstanding Units (including Units deemed owned by the General Partner) required to take any action shall be amended, altered, changed, repealed or rescinded in any respect that would have the effect of reducing such voting percentage unless such amendment is approved by the written consent or the affirmative vote of holders of Outstanding Units whose aggregate Outstanding Units constitute not less than the voting requirement sought to be reduced.

(b) Notwithstanding the provisions of Sections 13.1 and 13.2, no amendment to this Agreement may (i) enlarge the obligations of any Limited Partner without its consent, unless such shall have occurred as a result of an amendment approved pursuant to Section 13.3(c), (ii) enlarge the obligations of, restrict in any way any action by or rights of, or reduce in any way the amounts distributable, reimbursable or otherwise payable to, the General Partner or any of its Affiliates without its consent, which consent may be given or withheld in its sole discretion, (iii) change Section 12.1(a) or 12.1(c), or (iv) change the term of the Partnership or, except as set forth in Section 12.1(c), give any Person the right to dissolve the Partnership.

(c) Except as provided in Section 14.3, and except as otherwise provided, and without limitation of the General Partner's authority to adopt amendments to this Agreement as contemplated in Section 13.1, any amendment that would have a material adverse effect on the rights or preferences of any class of Partnership Interests in relation to other classes of Partnership Interests must be approved by the holders of not less than a majority of the Outstanding Partnership Interests of the class affected.

(d) Notwithstanding any other provision of this Agreement, except for amendments pursuant to Section 13.1 and except as otherwise provided by Section 14.3(b), no amendments shall become effective without the approval of the holders of at least 90% of the Outstanding Common Units unless the Partnership obtains an Opinion of Counsel to the effect that such amendment will not affect the limited liability of any Limited Partner under applicable law.

(e) Except as provided in Section 13.1, this Section 13.3 shall only be amended with the approval of the holders of at least 90% of the Outstanding Common Units.

13.4 *Special Meetings.* All acts of Limited Partners to be taken pursuant to this Agreement shall be taken in the manner provided in this Article XIII. Special meetings of the Limited Partners may be called by the General Partner or by Limited Partners owning 20% or more of the Outstanding Limited Partner Interests of the class or classes for which a meeting is proposed. Limited Partners shall call a special meeting by delivering to the General Partner one or more requests in writing stating that the signing Limited Partners wish to call a special meeting and indicating the general or specific purposes for which the special meeting is to be called. Within 60 days after receipt of such a call from Limited Partners or within such greater time as may be reasonably necessary for the Partnership to comply with any statutes, rules,

regulations, listing agreements or similar requirements governing the holding of a meeting or the solicitation of proxies for use at such a meeting, the General Partner shall send a notice of the meeting to the Limited Partners either directly or indirectly through the Transfer Agent. A meeting shall be held at a time and place determined by the General Partner on a date not less than 10 days nor more than 60 days after the mailing of notice of the meeting. Limited Partners shall not vote on matters that would cause the Limited Partners to be deemed to be taking part in the management and control of the business and affairs of the Partnership so as to jeopardize the Limited Partners' limited liability under the Delaware Act or the law of any other state in which the Partnership is qualified to do business.

13.5 *Notice of a Meeting.* Notice of a meeting called pursuant to [Section 13.4](#) shall be given to the Record Holders of the class or classes of Limited Partner Interests for which a meeting is proposed in writing by mail or other means of written communication in accordance with [Section 16.1](#). The notice shall be deemed to have been given at the time when deposited in the mail or sent by other means of written communication.

13.6 *Record Date.* For purposes of determining the Limited Partners entitled to notice of or to vote at a meeting of the Limited Partners or to give approvals without a meeting as provided in [Section 13.11](#) the General Partner may set a Record Date, which shall not be less than 10 nor more than 60 days before (a) the date of the meeting (unless such requirement conflicts with any rule, regulation, guideline or requirement of any National Securities Exchange on which the Limited Partner Interests are listed for trading, in which case the rule, regulation, guideline or requirement of such exchange shall govern) or (b) in the event that approvals are sought without a meeting, the date by which Limited Partners are requested in writing by the General Partner to give such approvals.

13.7 *Adjournment.* When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting and a new Record Date need not be fixed, if the time and place thereof are announced at the meeting at which the adjournment is taken, unless such adjournment shall be for more than 45 days. At the adjourned meeting, the Partnership may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 45 days or if a new Record Date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given in accordance with this [Article X III](#).

13.8 *Waiver of Notice.* Approval of Meeting; Approval of Minutes. The transactions of any meeting of Limited Partners, however called and noticed, and whenever held, shall be as valid as if it had occurred at a meeting duly held after regular call and notice, if a quorum is present either in person or by proxy, and if, either before or after the meeting, Limited Partners representing such quorum who were present in person or by proxy and entitled to vote, sign a written waiver of notice or an approval of the holding of the meeting or an approval of the minutes thereof. All waivers and approvals shall be filed with the Partnership records or made a part of the minutes of the meeting. Attendance of a Limited Partner at a meeting shall constitute a waiver of notice of the meeting, except when the Limited Partner does not approve, at the beginning of the meeting, of the transaction of any business because the meeting is not lawfully called or convened; and except that attendance at a meeting is not a waiver of any right to disapprove the consideration of matters required to be included in the notice of the meeting, but not so included, if the disapproval is expressly made at the meeting.

13.9 *Quorum.* The holders of a majority of the Outstanding Limited Partner Interests of the class or classes for which a meeting has been called (including Limited Partner Interests deemed owned by the General Partner) represented in person or by proxy shall constitute a quorum at a meeting of Limited Partners of such class or classes unless any such action by the Limited Partners requires approval by holders of a greater percentage of such Limited Partner Interests, in which case the quorum shall be such greater percentage. At any meeting of the Limited Partners duly called and held in accordance with this Agreement at which a quorum is present, the act of Limited Partners holding Outstanding Limited Partner Interests that in the aggregate represent a majority of the Outstanding Limited Partner Interests entitled to vote and be present in person or by proxy at such meeting shall be deemed to constitute the act of all Limited Partners, unless a greater or different percentage is required with respect to such action under the provisions of this Agreement, in which case the act of the Limited Partners holding Outstanding Limited Partner Interests that in the aggregate represent at least such greater or different percentage shall be required. The Limited Partners present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Limited Partners to leave less than a quorum, if any action taken (other than adjournment) is approved by the required percentage of Outstanding Limited Partner Interests specified in this Agreement (including Limited Partner Interests deemed owned by the General Partner). In the absence of a quorum any meeting of Limited Partners may be adjourned from time to time by the affirmative vote of holders of at least a majority of the Outstanding Limited Partner Interests entitled to vote at such meeting (including Limited Partner Interests deemed owned by the General Partner) represented either in person or by proxy, but no other business may be transacted, except as provided in [Section 13.7](#).

13.10 *Conduct of a Meeting.* The General Partner shall have full power and authority concerning the manner of conducting any meeting of the Limited Partners or solicitation of approvals in writing, including the determination of Persons entitled to vote, the existence of a quorum, the satisfaction of the requirements of [Section 13.4](#), the conduct of voting, the validity and effect of any proxies and the determination of any controversies, votes or challenges arising in connection with or during the meeting or voting. The General Partner shall designate a Person to serve as chairman of any meeting and shall further designate a Person to take the minutes of any meeting. All minutes shall be kept with the records of the Partnership maintained by the General Partner. The General Partner may make such other regulations consistent with applicable law and this Agreement as it may deem advisable concerning the conduct of any meeting of the Limited Partners or solicitation of approvals in writing, including regulations in regard to the appointment of proxies, the appointment and duties of inspectors of votes and approvals, the submission and examination of proxies and other evidence of the right to vote, and the revocation of approvals in writing.

13.11 *Action Without a Meeting.* If authorized by the General Partner, any action that may be taken at a meeting of the Limited Partners may be taken without a meeting if an approval in writing setting forth the action so taken is signed by Limited Partners owning not less than the minimum percentage of the Outstanding Limited Partner Interests (including Limited Partner Interests deemed owned by the General Partner) that would be necessary to authorize or take such action at a meeting at which all the Limited Partners were present and voted (unless such provision conflicts with any rule, regulation, guideline or requirement of any National Securities Exchange on which the Limited Partner Interests are listed for trading, in which case the rule,

regulation, guideline or requirement of such exchange shall govern). Prompt notice of the taking of action without a meeting shall be given to the Limited Partners who have not approved in writing. The General Partner may specify that any written ballot submitted to Limited Partners for the purpose of taking any action without a meeting shall be returned to the Partnership within the time period, which shall be not less than 20 days, specified by the General Partner. If a ballot returned to the Partnership does not vote all of the Limited Partner Interests held by the Limited Partners the Partnership shall be deemed to have failed to receive a ballot for the Limited Partner Interests that were not voted. If approval of the taking of any action by the Limited Partners is solicited by any Person other than by or on behalf of the General Partner, the written approvals shall have no force and effect unless and until (a) they are deposited with the Partnership in care of the General Partner, (b) approvals sufficient to take the action proposed are dated as of a date not more than 90 days prior to the date sufficient approvals are deposited with the Partnership and (c) an Opinion of Counsel is delivered to the General Partner to the effect that the exercise of such right and the action proposed to be taken with respect to any particular matter (i) will not cause the Limited Partners to be deemed to be taking part in the management and control of the business and affairs of the Partnership so as to jeopardize the Limited Partners' limited liability, and (ii) is otherwise permissible under the state statutes then governing the rights, duties and liabilities of the Partnership and the Partners.

*13.12 Voting and Other Rights.*

(a) Only those Record Holders of the Limited Partner Interests on the Record Date set pursuant to Section 13.6 (and also subject to the limitations contained in the definition of "Outstanding") shall be entitled to notice of, and to vote at, a meeting of Limited Partners or to act with respect to matters as to which the holders of the Outstanding Limited Partner Interests have the right to vote or to act. All references in this Agreement to votes of, or other acts that may be taken by, the Outstanding Limited Partner Interests shall be deemed to be references to the votes or acts of the Record Holders of such Outstanding Limited Partner Interests.

(b) With respect to Limited Partner Interests that are held for a Person's account by another Person (such as a broker, dealer, bank, trust company or clearing corporation, or an agent of any of the foregoing), in whose name such Limited Partner Interests are registered, such other Person shall, in exercising the voting rights in respect of such Limited Partner Interests on any matter, and unless the arrangement between such Persons provides otherwise, vote such Limited Partner Interests in favor of, and at the direction of, the Person who is the beneficial owner, and the Partnership shall be entitled to assume it is so acting without further inquiry. The provisions of this Section 13.12(b) (as well as all other provisions of this Agreement) are subject to the provisions of Section 4.3.

**ARTICLE XIV  
MERGER**

*14.1 Authority.* The Partnership may merge or consolidate with one or more corporations, limited liability companies, business trusts or associations, real estate investment trusts, common law trusts or unincorporated businesses, including a general partnership or

limited partnership, formed under the laws of the State of Delaware or any other state of the United States of America, pursuant to a written agreement of merger or consolidation ("Merger Agreement") in accordance with this Article XIV.

14.2 *Procedure for Merger or Consolidation.* Merger or consolidation of the Partnership pursuant to this Article XIV requires the prior approval of the General Partner, including Special Approval from the Audit and Conflicts Committee. If the General Partner shall determine, in the exercise of its discretion, to consent to the merger or consolidation, and if Special Approval has been obtained, the General Partner shall approve the Merger Agreement, which shall set forth:

- (a) The names and jurisdictions of formation or organization of each of the business entities proposing to merge or consolidate;
- (b) The name and jurisdiction of formation or organization of the business entity that is to survive the proposed merger or consolidation (the "Surviving Business Entity");
- (c) The terms and conditions of the proposed merger or consolidation;
- (d) The manner and basis of exchanging or converting the equity securities of each constituent business entity for, or into, cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity; and (i) if any general or limited partner interests, securities or rights of any constituent business entity are not to be exchanged or converted solely for, or into, cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity, the cash, property or general or limited partner interests, rights, securities or obligations of any limited partnership, corporation, trust or other entity (other than the Surviving Business Entity) which the holders of such general or limited partner interests, securities or rights are to receive in exchange for, or upon conversion of their general or limited partner interests, securities or rights, and (ii) in the case of securities represented by certificates, upon the surrender of such certificates, which cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity or any general or limited partnership, corporation, trust or other entity (other than the Surviving Business Entity), or evidences thereof, are to be delivered;
- (e) A statement of any changes in the constituent documents or the adoption of new constituent documents (the articles or certificate of incorporation, articles of trust, declaration of trust, certificate or agreement of limited partnership, operating agreement or other similar charter or governing document) of the Surviving Business Entity to be effected by such merger or consolidation;
- (f) The effective time of the merger, which may be the date of the filing of the certificate of merger pursuant to Section 14.4 or a later date specified in or determinable in accordance with the Merger Agreement (provided, that if the effective time of the merger is to be later than the date of the filing of the certificate of merger, the effective

time shall be fixed no later than the time of the filing of the certificate of merger and stated therein); and

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

**14.3 Approval by Limited Partners of Merger or Consolidation.**

(a) Except as provided in Section 14.3(d), the General Partner, upon its approval of the Merger Agreement, shall direct that the Merger Agreement be submitted to a vote of Limited Partners, whether at a special meeting or by written consent, in either case in accordance with the requirements of Article XIII. A copy or a summary of the Merger Agreement shall be included in or enclosed with the notice of a special meeting or the written consent.

(b) Except as provided in Section 14.3(d), the Merger Agreement shall be approved upon receiving the affirmative vote or consent of the holders of a Unit Majority unless the Merger Agreement contains any provision that, if contained in an amendment to this Agreement, the provisions of this Agreement or the Delaware Act would require for its approval the vote or consent of a greater percentage of the Outstanding Limited Partner Interests or of any class of Limited Partners, in which case such greater percentage vote or consent shall be required for approval of the Merger Agreement.

(c) Except as provided in Section 14.3(d), after such approval by vote or consent of the Limited Partners, and at any time prior to the filing of the certificate of merger pursuant to Section 14.4, the merger or consolidation may be abandoned pursuant to provisions therefor, if any, set forth in the Merger Agreement.

(d) Notwithstanding anything else contained in this Agreement, the General Partner is permitted, in its discretion and without Limited Partner approval, to (i) convert the Partnership or any Group Member to another type of limited liability entity as provided by Section 17-219 of the Delaware Act or (ii) merge the Partnership or any Group Member into, or convey all of the Partnership's assets to, another limited liability entity which shall be newly formed and shall have no assets, liabilities or operations at the time of such merger or conveyance other than those it receives from the Partnership or other Group Member, provided that in any such case (A) the General Partner has received an Opinion of Counsel that the conversion, merger or conveyance, as the case may be, would not result in the loss of the limited liability of any Limited Partner or any member in the Operating Partnership or cause the Partnership or Operating Partnership to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not previously treated as such), (B) the sole purpose of such conversion, merger or conveyance is to effect a mere change in the legal form of the Partnership into another limited liability entity, (C) the governing instruments of the new entity provide the Limited Partners with rights and obligations that are, in all material respects, the same rights and obligations of the Limited Partners hereunder and (D) the organizational documents of the new entity and of the new entity's general partner, manager, board of directors or other Person exercising management and

decision-making control over the new entity recognize and provide for the establishment of an "Audit and Conflicts Committee" and the other matters described in Section 4.6(c)(iv).

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

14.5 *Effect of Merger.*

(a) At the effective time of the certificate of merger:

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

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

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

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

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

**ARTICLE XV**  
**RIGHT TO ACQUIRE LIMITED PARTNER INTERESTS**

15.1 *Right to Acquire Limited Partner Interests.*

(a) Notwithstanding any other provision of this Agreement, if at any time not more than 15% of the total Limited Partner Interests of any class then Outstanding is held by Persons other than the General Partner and its Affiliates, the General Partner shall then have the right, which right it may assign and transfer in whole or in part to the Partnership or any Affiliate of the General Partner, exercisable in its sole discretion, to



purchase all, but not less than all, of such Limited Partner Interests of such class then Outstanding held by Persons other than the General Partner and its Affiliates, at the greater of (x) the Current Market Price as of the date three days prior to the date that the notice described in [Section 15.1\(b\)](#) is mailed and (y) the highest price paid by the General Partner or any of its Affiliates for any such Limited Partner Interest of such class purchased during the 90-day period preceding the date that the notice described in [Section 15.1\(b\)](#) is mailed. As used in this Agreement, (i) "Current Market Price" as of any date of any class of Limited Partner Interests listed or admitted to trading on any National Securities Exchange means the average of the daily Closing Prices (as hereinafter defined) per limited partner interest of such class for the 20 consecutive Trading Days (as hereinafter defined) immediately prior to such date; (ii) "Closing Price" for any day means the last sale price on such day, regular way, or in case no such sale takes place on such day, the average of the closing bid and asked prices on such day, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted for trading on the principal National Securities Exchange (other than the Nasdaq Stock Market) on which such Limited Partner Interests of such class are listed or admitted to trading or, if such Limited Partner Interests of such class are not listed or admitted to trading on any National Securities Exchange (other than the Nasdaq Stock Market), the last quoted price on such day or, if not so quoted, the average of the high bid and low asked prices on such day in the over-the-counter market, as reported by the Nasdaq Stock Market or such other system then in use, or, if on any such day such Limited Partner Interests of such class are not quoted by any such organization, the average of the closing bid and asked prices on such day as furnished by a professional market maker making a market in such Limited Partner Interests of such class selected by the General Partner, or if on any such day no market maker is making a market in such Limited Partner Interests of such class, the fair value of such Limited Partner Interests on such day as determined reasonably and in good faith by the General Partner; and (iii) "Trading Day" means a day on which the principal National Securities Exchange on which such Limited Partner Interests of any class are listed or admitted to trading is open for the transaction of business or, if Limited Partner Interests of a class are not listed or admitted to trading on any National Securities Exchange, a day on which banking institutions in New York City generally are open.

(b) If the General Partner, any Affiliate of the General Partner or the Partnership elects to exercise the right to purchase Limited Partner Interests granted pursuant to [Section 15.1\(a\)](#), the General Partner shall deliver to the Transfer Agent notice of such election to purchase (the "Notice of Election to Purchase") and shall cause the Transfer Agent to mail a copy of such Notice of Election to Purchase to the Record Holders of Limited Partner Interests of such class (as of a Record Date selected by the General Partner) at least 10, but not more than 60, days prior to the Purchase Date. Such Notice of Election to Purchase shall also be published for a period of at least three consecutive days in at least two daily newspapers of general circulation printed in the English language and published in the Borough of Manhattan, New York. The Notice of Election to Purchase shall specify the Purchase Date and the price (determined in accordance with [Section 15.1\(a\)](#)) at which Limited Partner Interests will be purchased and state that the General Partner, its Affiliate or the Partnership, as the case may be, elects to purchase such Limited Partner Interests, upon surrender of Certificates

representing such Limited Partner Interests, or other evidence of the issuance of uncertificated Units, in exchange for payment, at such office or offices of the Transfer Agent as the Transfer Agent may specify, or as may be required by any National Securities Exchange on which such Limited Partner Interests are listed or admitted to trading. Any such Notice of Election to Purchase mailed to a Record Holder of Limited Partner Interests at his address as reflected in the records of the Transfer Agent shall be conclusively presumed to have been given regardless of whether the owner receives such notice. On or prior to the Purchase Date, the General Partner, its Affiliate or the Partnership, as the case may be, shall deposit with the Transfer Agent cash in an amount sufficient to pay the aggregate purchase price of all of such Limited Partner Interests to be purchased in accordance with this Section 15.1. If the Notice of Election to Purchase shall have been duly given as aforesaid at least 10 days prior to the Purchase Date, and if on or prior to the Purchase Date the deposit described in the preceding sentence has been made for the benefit of the holders of Limited Partner Interests subject to purchase as provided herein, then from and after the Purchase Date, notwithstanding that any Certificate, or other evidence of the issuance of uncertificated Units, shall not have been surrendered for purchase, all rights of the holders of such Limited Partner Interests (including any rights pursuant to Articles IV, V, VI, and XII) shall thereupon cease, except the right to receive the purchase price (determined in accordance with Section 15.1(a)) for Limited Partner Interests therefor, without interest, upon surrender to the Transfer Agent of the Certificates representing such Limited Partner Interests, or other evidence of the issuance of uncertificated Units, and such Limited Partner Interests shall thereupon be deemed to be transferred to the General Partner, its Affiliate or the Partnership, as the case may be, on the record books of the Transfer Agent and the Partnership, and the General Partner or any Affiliate of the General Partner, or the Partnership, as the case may be, shall be deemed to be the owner of all such Limited Partner Interests from and after the Purchase Date and shall have all rights as the owner of such Limited Partner Interests (including all rights as owner of such Limited Partner Interests pursuant to Articles IV, V, VI and XII).

(c) At any time from and after the Purchase Date, a holder of an Outstanding Limited Partner Interest subject to purchase as provided in this Section 15.1 may surrender his Certificate evidencing such Limited Partner Interest, or other evidence of the issuance of uncertificated Units, to the Transfer Agent in exchange for payment of the amount described in Section 15.1(a), therefor, without interest thereon.

#### ARTICLE XVI GENERAL PROVISIONS

*16.1 Addresses and Notices.* Any notice, demand, request, report or proxy materials required or permitted to be given or made to a Partner or Assignee under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by first class United States mail or by other means of written communication to the Partner or Assignee at the address described below. Any notice, payment or report to be given or made to a Partner or Assignee hereunder shall be deemed conclusively to have been given or made, and the obligation to give such notice or report or to make such payment shall be deemed conclusively to have been fully satisfied, upon sending of such notice, payment or report to the Record Holder of such

Partnership Securities at his address as shown on the records of the Transfer Agent or as otherwise shown on the records of the Partnership, regardless of any claim of any Person who may have an interest in such Partnership Securities by reason of any assignment or otherwise. An affidavit or certificate of making of any notice, payment or report in accordance with the provisions of this Section 16.1 executed by the General Partner, the Transfer Agent or the mailing organization shall be prima facie evidence of the giving or making of such notice, payment or report. If any notice, payment or report addressed to a Record Holder at the address of such Record Holder appearing on the books and records of the Transfer Agent or the Partnership is returned by the United States Post Office marked to indicate that the United States Postal Service is unable to deliver it, such notice, payment or report and any subsequent notices, payments and reports shall be deemed to have been duly given or made without further mailing (until such time as such Record Holder or another Person notifies the Transfer Agent or the Partnership of a change in his address) if they are available for the Partner or Assignee at the principal office of the Partnership for a period of one year from the date of the giving or making of such notice, payment or report to the other Partners and Assignees. Any notice to the Partnership shall be deemed given if received by the General Partner at the principal office of the Partnership designated pursuant to Section 2.3. The General Partner may rely and shall be protected in relying on any notice or other document from a Partner, Assignee or other Person if believed by it to be genuine.

16.2 *Further Action.* The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

16.3 *Binding Effect.* This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

16.4 *Integration.* This Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings pertaining thereto.

16.5 *Creditors.* None of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Partnership.

16.6 *Waiver.* No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach of any other covenant, duty, agreement or condition.

16.7 *Counterparts.* This Agreement may be executed in counterparts, all of which together shall constitute an agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto or, in the case of a Person acquiring a Unit, upon accepting the Certificate evidencing such Unit, or other evidence of the issuance of uncertificated Units, or executing and delivering a Transfer Application as herein described, independently of the signature of any other party.

16.8 *Applicable Law.* This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of law.

16.9 *Invalidity of Provisions.* If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

16.10 *Consent of Partners.* Each Partner hereby expressly consents and agrees that, whenever in this Agreement it is specified that an action may be taken upon the affirmative vote or consent of less than all of the Partners, such action may be so taken upon the concurrence of less than all of the Partners and each Partner shall be bound by the results of such action.

16.11 *Amendments to Reflect GP Reorganization Agreement.* In addition to the amendments to this Agreement contained in the GP Reorganization Agreement and notwithstanding any other provision of this Agreement to the contrary, this Agreement shall be deemed to be further amended and modified to the extent necessary, but only to the extent necessary, to carry out the purposes of and intent of the GP Reorganization Agreement.

*[Signature page to follow.]*

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

GENERAL PARTNER:

EPE HOLDINGS, LLC

By: /s/ Michael A. Creel  
Michael A. Creel  
President and Chief Executive Officer

LIMITED PARTNERS:

All Limited Partners now and hereafter admitted as Limited Partners of the Partnership, pursuant to Powers of Attorney now and hereafter executed in favor of, and granted and delivered to the General Partner.

By: EPE Holdings, LLC

General Partner, as attorney-in-fact for the Limited Partners pursuant to the Powers of Attorney granted pursuant to Section 2.6.

By: /s/ Michael A. Creel  
Michael A. Creel  
President and Chief Executive Officer

DEFINED TERMS

“Acquisition” means any transaction in which any Group Member acquires (through an asset acquisition, merger, stock acquisition or other form of investment) control over all or a portion of the assets, properties or business of another Person for the purpose of increasing the operating capacity or revenues of the Partnership Group from the operating capacity or revenues of the Partnership Group existing immediately prior to such transaction.

“Additional Limited Partner” means a Person admitted to the Partnership as a Limited Partner pursuant to Section 10.4 and who is shown as such on the books and records of the Partnership.

“Adjusted Capital Account” means the Capital Account maintained for each Partner as of the end of each fiscal year of the Partnership, (a) increased by any amounts that such Partner is obligated to restore under the standards set by Treasury Regulation Section 1.704-1(b)(2)(ii)(c) (or is deemed obligated to restore under Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5)) and (b) decreased by (i) the amount of all losses and deductions that, as of the end of such fiscal year, are reasonably expected to be allocated to such Partner in subsequent years under Sections 704(e)(2) and 706(d) of the Code and Treasury Regulation Section 1.751-1(b)(2)(ii), and (ii) the amount of all distributions that, as of the end of such fiscal year, are reasonably expected to be made to such Partner in subsequent years in accordance with the terms of this Agreement or otherwise to the extent they exceed offsetting increases to such Partner’s Capital Account that are reasonably expected to occur during (or prior to) the year in which such distributions are reasonably expected to be made (other than increases as a result of a minimum gain chargeback pursuant to Section 6.1(c)(i) or 6.1(c)(ii)). The foregoing definition of Adjusted Capital Account is intended to comply with the provisions of Treasury Regulation Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith. The “Adjusted Capital Account” of a Partner in respect of a General Partner Interest, a Common Unit or any other specified interest in the Partnership shall be the amount which such Adjusted Capital Account would be if such General Partner Interest, Common Unit or other interest in the Partnership were the only interest in the Partnership held by a Partner from and after the date on which such General Partner Interest, Common Unit or other interest was first issued.

“Adjusted Operating Surplus” means, with respect to any period, Operating Surplus generated during such period (a) less (i) any net increase in working capital borrowings during such period and (ii) any net reduction in cash reserves for Operating Expenditures during such period not relating to an Operating Expenditure made during such period, and (b) plus (i) any net decrease in working capital borrowings during such period and (ii) any net increase in cash reserves for Operating Expenditures during such period required by any debt instrument for the repayment of principal, interest or premium. Adjusted Operating Surplus does not include that portion of Operating Surplus included in clause (a)(i) or (a)(iii)(A) of the definition of Operating Surplus.

“Adjusted Property” means any property the Carrying Value of which has been adjusted pursuant to Section 5.5(d)(i) or 5.5(d)(ii). Once an Adjusted Property is deemed contributed to a

new partnership in exchange for an interest in the new partnership, followed by the deemed liquidation of the Partnership for federal income tax purposes upon a termination of the Partnership pursuant to Treasury Regulation Section 1.708-(b)(1)(iv), such property shall thereafter constitute a Contributed Property until the Carrying Value of such property is subsequently adjusted pursuant to Section 5.5(d)(i) or 5.5(d)(ii).

“*Administrative Services Agreement*” means the Second Amended and Restated Administrative Services Agreement, dated effective as of October 1, 2004, by and among EPCO, the Partnership, the Operating Partnership, the General Partner and the Operating General Partner, as it may be amended or restated from time to time.

“*Affiliate*” means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with, the Person in question. As used herein, the term “control” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise. Notwithstanding the foregoing, a Person shall only be considered an “Affiliate” of the General Partner if such Person owns, directly or indirectly, 50% or more of the voting securities of the General Partner or otherwise possesses the sole power to direct or cause the direction of the management and policies of the General Partner.

“*Agreed Allocation*” means any allocation, other than a Required Allocation, of an item of income, gain, loss or deduction pursuant to the provisions of Section 6.1, including, without limitation, a Curative Allocation (if appropriate to the context in which the term “Agreed Allocation” is used).

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

“*Agreement*” means this Sixth Amended and Restated Agreement of Limited Partnership of Enterprise Products Partners L.P., as it may be amended, supplemented or restated from time to time.

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

“*Associate*” means, when used to indicate a relationship with any Person, (a) any corporation or organization of which such Person is a director, officer or partner or is, directly or indirectly, the owner of 20% or more of any class of voting stock or other voting interest; (b) any trust or other estate in which such Person has at least a 20% beneficial interest or as to which

such Person serves as trustee or in a similar fiduciary capacity; and (c) any relative or spouse of such Person, or any relative of such spouse, who has the same principal residence as such Person.

“*Audit and Conflicts Committee*” means a committee of the Board of Directors of the General Partner composed entirely of three or more directors who meet the independence, qualification and experience requirements of the New York Stock Exchange and Section 10A(m)(3) of the Securities Exchange Act of 1934 and the rules and regulations thereunder, and at least two of whom also meet the S&P Criteria.

“*Available Cash*” means, with respect to any Quarter ending prior to the Liquidation Date,

(a) the sum of (i) all cash and cash equivalents of the Partnership Group on hand at the end of such Quarter, and (ii) all additional cash and cash equivalents of the Partnership Group on hand on the date of determination of Available Cash with respect to such Quarter resulting from (A) borrowings under the Working Capital Facility made subsequent to the end of such Quarter or (B) Interim Capital Transactions after the end of such Quarter designated by the General Partner as Operating Surplus in accordance with clause (a)(iii)(A) of the definition of Operating Surplus, less

(b) the amount of any cash reserves that is necessary or appropriate in the reasonable discretion of the General Partner to (i) provide for the proper conduct of the business of the Partnership Group (including reserves for future capital expenditures and for anticipated future credit needs of the Partnership Group) subsequent to such Quarter, or (ii) comply with applicable law or any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which any Group Member is a party or by which it is bound or its assets are subject; provided, however, that the General Partner may not establish cash reserves pursuant to (iii) above if the effect of such reserves would be that the Partnership is unable to distribute the Minimum Quarterly Distribution on all Common Units with respect to such Quarter; and, provided further, that disbursements made by a Group Member or cash reserves established, increased or reduced after the end of such Quarter, but on or before the date of determination of Available Cash with respect to such Quarter, shall be deemed to have been made, established, increased or reduced, for purposes of determining Available Cash, within such Quarter if the General Partner so determines.

Notwithstanding the foregoing, “*Available Cash*” with respect to the Quarter in which the Liquidation Date occurs and any subsequent Quarter shall equal zero.

“*Book-Tax Disparity*” means with respect to any item of Contributed Property or Adjusted Property, as of the date of any determination, the difference between the Carrying Value of such Contributed Property or Adjusted Property and the adjusted basis thereof for federal income tax purposes as of such date. A Partner’s share of the Partnership’s Book-Tax Disparities in all of its Contributed Property and Adjusted Property will be reflected by the difference between such Partner’s Capital Account balance as maintained pursuant to Section 5.5



and the hypothetical balance of such Partner's Capital Account computed as if it had been maintained strictly in accordance with federal income tax accounting principles.

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

"*Capital Account*" means the capital account maintained for a Partner pursuant to Section 5.5. The "Capital Account" of a Partner in respect of a Common Unit or any other Partnership Interest shall be the amount which such Capital Account would be if such Common Unit or other Partnership Interest were the only interest in the Partnership held by a Partner from and after the date on which such Common Unit or other Partnership Interest was first issued.

"*Capital Contribution*" means any cash, cash equivalents or the Net Agreed Value of Contributed Property that a Partner contributes to the Partnership.

"*Capital Improvement*" means any (a) addition or improvement to the capital assets owned by any Group Member or (b) acquisition of existing, or the construction of new, capital assets, in each case made to increase the operating capacity or revenues of the Partnership Group from the operating capacity or revenues of the Partnership Group existing immediately prior to such addition, improvement, acquisition or construction.

"*Carrying Value*" means (a) with respect to a Contributed Property, the Agreed Value of such property reduced (but not below zero) by all depreciation, amortization and cost recovery deductions charged to the Partners' and Assignees' Capital Accounts in respect of such Contributed Property, and (b) with respect to any other Partnership property, the adjusted basis of such property for federal income tax purposes, all as of the time of determination. The Carrying Value of any property shall be adjusted from time to time in accordance with Sections 5.5(d)(i) and 5.5(d)(ii) and to reflect changes, additions or other adjustments to the Carrying Value for dispositions and acquisitions of Partnership properties, as deemed appropriate by the General Partner.

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

"*Certificate*" means a certificate, substantially in the form of Exhibit A to this Agreement or in such other form as may be adopted by the General Partner in its discretion, issued by the Partnership evidencing ownership of one or more Common Units or a certificate, in such form as may be adopted by the General Partner in its discretion, issued by the Partnership evidencing ownership of one or more other Partnership Securities.

"*Certificate of Limited Partnership*" means the Certificate of Limited Partnership of the Partnership filed with the Secretary of State of the State of Delaware as referenced in Section 2.1, as such Certificate of Limited Partnership may be amended, supplemented or restated from time to time.

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

"*Claim*" has the meaning assigned to such term in Section 7.12(c).

"*Class A Special Units*" means the special class of Units issued to Tejas, as described in Section 5.3(d).

"*Class B Conversion Effective Date*" has the meaning assigned to such term in Section 5.12(f).

"*Class B Unit*" means a Partnership Security representing a fractional part of the Partnership Interests of all Limited Partners and Assignees, and having the rights and obligations specified with respect to the Class B Units in this Agreement. The term "Class B Unit" does not refer to a Common Unit until such Class B Unit has converted into a Common Unit pursuant to the terms hereof.

"*Closing Date*" means July 31, 1998.

"*Closing Price*" has the meaning assigned to such term in Section 15.1(a).

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

"*Combined Interest*" has the meaning assigned to such term in Section 11.3(a).

"*Commission*" means the United States Securities and Exchange Commission.

"*Common Unit*" means a Partnership Security representing a fractional part of the Partnership Interests of all Limited Partners and Assignees and of the General Partner (exclusive of its interest as a holder of a General Partner Interest) and having the rights and obligations specified with respect to Common Units in this Agreement.

"*Contributed Property*" means each property or other asset, in such form as may be permitted by the Delaware Act, but excluding cash, contributed to the Partnership (or deemed contributed to a new partnership on termination of the Partnership pursuant to Section 708 of the Code). Once the Carrying Value of a Contributed Property is adjusted pursuant to Section 5.5(d), such property shall no longer constitute a Contributed Property, but shall be deemed an Adjusted Property.

"*Curative Allocation*" means any allocation of an item of income, gain, deduction, loss or credit pursuant to the provisions of Section 6.1(c)(xi).

"*Current Market Price*" has the meaning assigned to such term in Section 15.1(a).

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

“*Departing Partner*” means a former General Partner from and after the effective date of any withdrawal or removal of such former General Partner pursuant to Section 11.1 or 11.2.

“*Distribution Waiver Agreement*” means the Distribution Waiver Agreement dated as of November 22, 2010 by and among the Partnership, EPCO Holdings, Inc. and the “EPD Unitholder” named therein, as such agreement may be amended after the date hereof.

“*DFI*” means Duncan Family Interests, Inc. (formerly, EPC Partners II, Inc.), a Delaware corporation.

“*Economic Risk of Loss*” has the meaning set forth in Treasury Regulation Section 1.752-2(a).

“*Eligible Citizen*” means a Person qualified to own interests in real property in jurisdictions in which any Group Member does business or proposes to do business from time to time, and whose status as a Limited Partner or Assignee does not or would not subject such Group Member to a significant risk of cancellation or forfeiture of any of its properties or any interest therein.

“*EPCO*” means EPCO, Inc. (formerly, Enterprise Products Company), a Texas Subchapter S corporation.

“*Event of Withdrawal*” has the meaning assigned to such term in Section 11.1(a).

“*Existing Capital Commitment Amount*” means \$46.5 million, which amount represents the aggregate estimated capital costs to be incurred by the Partnership Group in connection with the following proposed projects:

<u>Proposed Project</u>	<u>Estimated Capital Costs</u>
(i) Baton Rouge Fractionator	\$ 20.0 Million
(ii) Tri-State Pipeline	\$ 10.0 Million
(iii) Wilprise Pipeline	\$ 8.0 Million
(iv) NGL Product Chiller	\$ 8.5 Million
Total	\$ 46.5 Million

each of which is described in greater detail in the Registration Statement; provided, however, that if for any reason (other than as a result of the cancellation of such project) the actual capital costs incurred by the Partnership Group in connection with any of the proposed projects referenced above is less than the estimated capital cost for such project as set forth above, the “Existing Capital Commitment Amount” shall be reduced by the amount of such difference.

"*Force Majeure Event*" means an event during which Gas Production is reduced, in whole or in part, by an event reasonably beyond the control of the party producing such Gas Production, including but not limited to any event of force majeure under the Shell Processing Agreement (as defined in the Tejas Contribution Agreement) or any of the Dedicated Leases under, and as defined in, the Shell Processing Agreement (as defined in the Tejas Contribution Agreement).

"*General Partner*" means EPE Holdings, LLC, as successor by merger and permitted assign of Holdings, and its successors and permitted assigns as general partner of the Partnership.

"*General Partner Interest*" means the non-economic ownership interest of the General Partner in the Partnership (in its capacity as a general partner without reference to any Limited Partner Interest held by it), and includes any and all benefits to which the General Partner is entitled as provided in this Agreement, together with all obligations of the General Partner to comply with the terms and provisions of this Agreement.

"*GP Reorganization Agreement*" means the Reorganization Agreement, dated as of December 10, 2003, among the Partnership, the Operating Partnership, the Predecessor General Partner and the Operating General Partner.

"*Group*" means a Person that with or through any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except voting pursuant to a revocable proxy or consent given to such Person in response to a proxy or consent solicitation made to 10 or more Persons) or disposing of any Partnership Securities with any other Person that beneficially owns, or whose Affiliates or Associates beneficially own, directly or indirectly, Partnership Securities.

"*Group Member*" means a member of the Partnership Group.

"*Holder*" as used in Section 7.12, has the meaning assigned to such term in Section 7.12(a).

"*Holdings*" has the meaning set forth in the recitals.

"*Holdings Merger*" has the meaning set forth in the recitals.

"*Holdings Merger Agreement*" has the meaning set forth in the recitals.

"*Indemnified Persons*" has the meaning assigned to such term in Section 7.12(c).

"*Indemnitee*" means (a) the General Partner, any Departing Partner and any Person who is or was an Affiliate of the General Partner or any Departing Partner, (b) any Person who is or was a member, director, officer, employee, agent or trustee of a Group Member, (c) any Person who is or was an officer, member, partner, director, employee, agent or trustee of the General Partner or any Departing Partner or any Affiliate of the General Partner or any Departing Partner, or any Affiliate of any such Person and (d) any Person who is or was serving at the request of the General Partner or any Departing Partner or any such Affiliate as a director, officer, employee, member, partner, agent, fiduciary or trustee of another Person; provided, that a Person shall not

be an Indemnitee by reason of providing, on a fee-for-services basis, trustee, fiduciary or custodial services.

“*Initial Common Units*” means the Common Units sold in the Initial Offering.

“*Initial Limited Partners*” means DFI, the Underwriters, and Tejas, in each case upon being admitted to the Partnership in accordance with Section 10.1.

“*Initial Offering*” means the initial offering and sale of Common Units to the public, as described in the Registration Statement.

“*Initial Unit Price*” means (a) with respect to the Common Units and the subordinated units of the Partnership (all of which have been converted, in accordance with the terms of this Agreement, into Common Units), the initial public offering price per Common Unit at which the Underwriters offered the Common Units to the public for sale as set forth on the cover page of the prospectus included as part of the Registration Statement and first issued at or after the time the Registration Statement first became effective or (b) with respect to any other class or series of Units, the price per Unit at which such class or series of Units is initially sold by the Partnership, as determined by the General Partner, in each case adjusted as the General Partner determines to be appropriate to give effect to any distribution, subdivision or combination of Units.

“*Interim Capital Transactions*” means the following transactions if they occur prior to the Liquidation Date: (a) borrowings, refinancings or refundings of indebtedness and sales of debt securities (other than borrowings under the Working Capital Facility and other than for items purchased on open account in the ordinary course of business) by any Group Member; (b) sales of equity interests by any Group Member (including Common Units sold to the underwriters pursuant to the exercise of the Over-Allotment Option); and (c) sales or other voluntary or involuntary dispositions of any assets of any Group Member (other than (i) sales or other dispositions of inventory, accounts receivable and other assets in the ordinary course of business, and (ii) sales or other dispositions of assets as part of normal retirements or replacements), in each case prior to the Liquidation Date.

“*Issue Price*” means the price at which a Unit is purchased from the Partnership, after taking into account any sales commission or underwriting discount charged to the Partnership.

“*Limited Partner*” means, unless the context otherwise requires, (a) each Initial Limited Partner, each Substituted Limited Partner, each Additional Limited Partner and any Partner upon the change of its status from General Partner to Limited Partner pursuant to Section 11.3 or (b) solely for purposes of Articles V, VI, VII and IX and Sections 12.3 and 12.4, each Assignee.

“*Limited Partner Interest*” means the ownership interest of a Limited Partner or Assignee in the Partnership, which may be evidenced by Common Units or Class B Units or other Partnership Securities or a combination thereof or interest therein, and includes any and all benefits to which such Limited Partner or Assignee is entitled as provided in this Agreement, together with all obligations of such Limited Partner or Assignee to comply with the terms and provisions of this Agreement.

"Liquidation Date" means (a) in the case of an event giving rise to the dissolution of the Partnership of the type described in clauses (a) and (b) of the first sentence of Section 12.2, the date on which the applicable time period during which the holders of Outstanding Units have the right to elect to reconstitute the Partnership and continue its business has expired without such an election being made, and (b) in the case of any other event giving rise to the dissolution of the Partnership, the date on which such event occurs.

"Liquidator" means one or more Persons selected by the General Partner to perform the functions described in Section 12.3 as liquidating trustee of the Partnership within the meaning of the Delaware Act.

"Merger Agreement" has the meaning assigned to such term in Section 14.1.

"MergerCo" has the meaning set forth in the recitals.

"Minimum Quarterly Distribution" means \$0.225 per Unit per Quarter (or with respect to the period commencing on the Closing Date and ending on September 30, 1998, it means the product of \$0.225 multiplied by a fraction of which the numerator is the number of days in the period commencing on the Closing Date and ending on September 30, 1998, and of which the denominator is 92), subject to adjustment in accordance with Sections 6.6 and 6.8.

"National Securities Exchange" means an exchange registered with the Commission under Section 6(a) of the Securities Exchange Act of 1934, as amended, supplemented or restated from time to time, and any successor to such statute, or the Nasdaq Stock Market or any successor thereto.

"Net Agreed Value" means, (a) in the case of any Contributed Property, the Agreed Value of such property reduced by any liabilities either assumed by the Partnership upon such contribution or to which such property is subject when contributed, and (b) in the case of any property distributed to a Partner or Assignee by the Partnership, the Partnership's Carrying Value of such property (as adjusted pursuant to Section 5.5(d)(ii)) at the time such property is distributed, reduced by any indebtedness either assumed by such Partner or Assignee upon such distribution or to which such property is subject at the time of distribution, in either case, as determined under Section 752 of the Code.

"Net Income" means, for any taxable year, the excess, if any, of the Partnership's items of income and gain (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year over the Partnership's items of loss and deduction (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year. The items included in the calculation of Net Income shall be determined in accordance with Section 5.5(b) and shall not include any items specially allocated under Section 6.1(c).

"Net Loss" means, for any taxable year, the excess, if any, of the Partnership's items of loss and deduction (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year over the Partnership's items of income and gain (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year. The items included in the

calculation of Net Loss shall be determined in accordance with Section 5.5(b) and shall not include any items specially allocated under Section 6.1(c).

“*Net Termination Gain*” means, for any taxable year, the sum, if positive, of all items of income, gain, loss or deduction recognized by the Partnership (a) after the Liquidation Date or (b) upon the sale, exchange or other disposition of all or substantially all of the assets of the Partnership Group, taken as a whole, in a single transaction or a series of related transactions (excluding any disposition to a member of the Partnership Group). The items included in the determination of Net Termination Gain shall be determined in accordance with Section 5.5(b) and shall not include any items of income, gain or loss specially allocated under Section 6.1(c). “*Non-citizen Assignee*” means a Person whom the General Partner has determined in its discretion does not constitute an Eligible Citizen and as to whose Partnership Interest the General Partner has become the Substituted Limited Partner, pursuant to Section 4.9.

“*Net Termination Loss*” means, for any taxable year, the sum, if negative, of all items of income, gain, loss or deduction recognized by the Partnership (a) after the Liquidation Date or (b) upon the sale, exchange or other disposition of all or substantially all of the assets of the Partnership Group, taken as a whole, in a single transaction or a series of related transactions (excluding any disposition to a member of the Partnership Group). The items included in the determination of Net Termination Loss shall be determined in accordance with Section 5.5(b) and shall not include any items of income, gain or loss specially allocated under Section 6.1(c). “*Non-citizen Assignee*” means a Person whom the General Partner has determined in its discretion does not constitute an Eligible Citizen and as to whose Partnership Interest the General Partner has become the Substituted Limited Partner, pursuant to Section 4.9.

“*Nonrecourse Built-in Gain*” means with respect to any Contributed Properties or Adjusted Properties that are subject to a mortgage or pledge securing a Nonrecourse Liability, the amount of any taxable gain that would be allocated to the Partners pursuant to Sections 6.2(b)(i)(A), 6.2(b)(ii)(A) and 6.2(b)(iii) if such properties were disposed of in a taxable transaction in full satisfaction of such liabilities and for no other consideration.

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

“*Nonrecourse Liability*” has the meaning set forth in Treasury Regulation Section 1.752-1(a)(2).

“*Notice of Election to Purchase*” has the meaning assigned to such term in Section 15.1(b) hereof.

“*Operating Expenditures*” means all Partnership Group expenditures, including, but not limited to, taxes, reimbursements of the General Partner, debt service payments, and capital expenditures, subject to the following:

(a) Payments (including prepayments) of principal of and premium on indebtedness shall not be an Operating Expenditure if the payment is (i) required in connection with the sale or other disposition of assets or (ii) made in connection with the refinancing or refunding of indebtedness with the proceeds from new indebtedness or from the sale of equity interests. For purposes of the foregoing, at the election and in the reasonable discretion of the General Partner, any payment of principal or premium shall

be deemed to be refunded or refinanced by any indebtedness incurred or to be incurred by the Partnership Group within 180 days before or after such payment to the extent of the principal amount of such indebtedness.

(b) Operating Expenditures shall not include (i) capital expenditures made for Acquisitions or for Capital Improvements, (ii) payment of transaction expenses relating to Interim Capital Transactions or (iii) distributions to Partners. Where capital expenditures are made in part for Acquisitions or for Capital Improvements and in part for other purposes, the General Partner's good faith allocation between the amounts paid for each shall be conclusive.

"*Operating General Partner*" means Enterprise Products OLPGP, Inc., a Delaware corporation and wholly-owned subsidiary of the Partnership, and any successors and permitted assigns as the General Partner of the Operating Partnership.

"*Operating Partnership*" means Enterprise Products Operating L.L.C., a Texas limited liability company and successor to Enterprise Operating L.P., a Delaware limited partnership, and any successors thereto.

"*Operating Partnership Agreement*" means the Amended and Restated Agreement of Limited Partnership of the Operating Partnership, as it may be amended, supplemented or restated from time to time.

"*Operating Surplus*" means, with respect to any period ending prior to the Liquidation Date, on a cumulative basis and without duplication:

(a) the sum of (i) all cash and cash equivalents of the Partnership Group on hand as of the close of business on the Closing Date (other than the Existing Capital Commitment Amount), (ii) all cash receipts of the Partnership Group for the period beginning on the Closing Date and ending with the last day of such period, other than cash receipts from Interim Capital Transactions (except to the extent specified in Section 6.5 and except as set forth in clause (iii) immediately following), and (iii) as determined by the General Partner, all or any portion of any cash receipts of the Partnership Group during such period, or after the end of such period but on or before the date of determination of Operating Surplus with respect to such period, that constitute (A) cash receipts from Interim Capital Transactions, provided that the total amount of cash receipts from Interim Capital Transactions designated as "Operating Surplus" by the General Partner pursuant to this clause (iii) since the Closing Date may not exceed an aggregate amount equal to \$60.0 million, and/or (B) cash receipts from borrowings under the Working Capital Facility, less

(b) the sum of (i) Operating Expenditures for the period beginning on the Closing Date and ending with the last day of such period and (ii) the amount of cash reserves that is necessary or advisable in the reasonable discretion of the General Partner to provide funds for future Operating Expenditures, provided, however, that disbursements made (including contributions to a Group Member or disbursements on behalf of a Group Member) or cash reserves established, increased or reduced after the



end of such period but on or before the date of determination of Operating Surplus with respect to such period shall be deemed to have been made, established, increased or reduced, for purposes of determining Operating Surplus, within such period if the General Partner so determines.

Notwithstanding the foregoing, "Operating Surplus" with respect to the Quarter in which the Liquidation Date occurs and any subsequent Quarter shall equal zero.

"*Opinion of Counsel*" means a written opinion of counsel (who may be regular counsel to the Partnership or the General Partner or any of its Affiliates) acceptable to the General Partner in its reasonable discretion.

"*Option Closing Date*" has the meaning assigned to such term in the Underwriting Agreement.

"*Outstanding*" means, with respect to Partnership Securities, all Partnership Securities that are issued by the Partnership and reflected as outstanding on the Partnership's books and records as of the date of determination; *provided, however*, that with respect to Partnership Securities, if at any time any Person or Group (other than the General Partner or its Affiliates) beneficially owns 20% or more of any Outstanding Partnership Securities of any class then Outstanding, all Partnership Securities owned by such Person or Group shall not be voted on any matter and shall not be considered to be Outstanding when sending notices of a meeting of Limited Partners to vote on any matter (unless otherwise required by law), calculating required votes, determining the presence of a quorum or for other similar purposes under this Agreement, except that Common Units so owned shall be considered to be Outstanding for purposes of Section 11.1(b)(iv) (such Common Units shall not, however, be treated as a separate class of Partnership Securities for purposes of this Agreement); *provided, further*, that the limitation in the foregoing proviso shall not apply (i) to any Person or Group who acquired 20% or more of any Outstanding Partnership Securities of any class then Outstanding directly from the General Partner or its Affiliates, (ii) to any Person or Group who acquired 20% or more of any Outstanding Partnership Securities of any class then Outstanding directly or indirectly from a Person or Group described in clause (i) if the General Partner shall have notified such Person or Group in writing, prior to such acquisition, that such limitation shall not apply to such Person or Group or (iii) to any Person or Group who acquired 20% or more of any Partnership Securities issued by the Partnership with the prior approval of the Board of Directors of the General Partner; and *provided, further*, that none of the Class B Units shall be deemed to be Outstanding for purposes of determining if any Class B Units are entitled to distributions of Available Cash unless such Class B Units shall have been reflected on the books of the Partnership as outstanding during such Quarter and on the Record Date for the determination of any distribution of Available Cash.

"*Over-Allotment Option*" means the over-allotment option granted to the Underwriters by the Partnership pursuant to the Underwriting Agreement.

"*Parity Units*" means Common Units and all other Units having rights to distributions or in liquidation ranking on a parity with the Common Units.

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

“*Partner Nonrecourse Debt Minimum Gain*” has the meaning set forth in Treasury Regulation Section 1.704-2(i)(2).

“*Partner Nonrecourse Deductions*” means any and all items of loss, deduction or expenditure (including, without limitation, any expenditure described in Section 705(a)(2)(B) of the Code) that, in accordance with the principles of Treasury Regulation Section 1.704-2(i), are attributable to a Partner Nonrecourse Debt.

“*Partners*” means the General Partner, the Limited Partners and the holders of Common Units.

“*Partnership*” means Enterprise Products Partners L.P., a Delaware limited partnership, and any successors thereto.

“*Partnership Group*” means the Partnership, the Operating Partnership and any Subsidiary of either such entity, treated as a single consolidated entity.

“*Partnership Interest*” means an ownership interest in the Partnership, which shall include General Partner Interests and Limited Partner Interests.

“*Partnership Minimum Gain*” means that amount determined in accordance with the principles of Treasury Regulation Section 1.704-2(d).

“*Partnership Security*” means any class or series of equity interest in the Partnership (but excluding any options, rights, warrants and appreciation rights relating to any equity interest in the Partnership), including, without limitation, Common Units.

“*Per Unit Capital Amount*” means, as of any date of determination, the Capital Account, stated on a per Unit basis, underlying any Unit held by a Person other than the General Partner or any Affiliate of the General Partner who holds Units.

“*Percentage Interest*” means (i) as of the date of this Agreement through the date of any subsequent Capital Contribution, as to any Unitholder or Assignee holding Common Units, the quotient obtained by dividing (A) the number of Common Units held by such Unitholder or Assignee by (B) the total number of all Outstanding Common Units. The Percentage Interest with respect to the General Partner Interest shall at all times be zero.

“*Person*” means an individual or a corporation, limited liability company, partnership, joint venture, trust, unincorporated organization, association, government agency or political subdivision thereof or other entity.

“*Predecessor General Partner*” means Enterprise Products GP, LLC, a Delaware limited liability company, which was the General Partner prior to the date of this Agreement and the merger of Enterprise Products GP, LLC with and into Holdings, and Holdings immediately thereafter and prior to the merger of Holdings with and into MergerCo in the Holdings Merger.

“*Prior Partnership Agreement*” has the meaning set forth in the recitals.

“*Pro Rata*” means (a) when modifying Units or any class thereof, apportioned equally among all designated Units in accordance with their relative Percentage Interests and (b) when modifying Partners and Assignees, apportioned among all Partners and Assignees in accordance with their respective Percentage Interests.

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

“*Quarter*” means, unless the context requires otherwise, a fiscal quarter of the Partnership.

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

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

“*Record Holder*” means the Person in whose name a Common Unit is registered on the books of the Transfer Agent as of the opening of business on a particular Business Day, or with respect to other Partnership Securities, the Person in whose name any such other Partnership Security is registered on the books which the General Partner has caused to be kept as of the opening of business on such Business Day.

“*Redeemable Interests*” means any Partnership Interests for which a redemption notice has been given, and has not been withdrawn, pursuant to Section 4.10.

“*Registration Statement*” means the Registration Statement on Form S-1 (Registration No. 333-52537) as it has been or as it may be amended or supplemented from time to time, filed by the Partnership with the Commission under the Securities Act to register the offering and sale of the Common Units in the Initial Offering.

“*Required Allocations*” means (a) any limitation imposed on any allocation of Net Losses or Net Termination Losses under Section 6.1(a) or 6.1(b)(ii) and (b) any allocation of an item of income, gain, loss or deduction pursuant to Section 6.1(c)(i), 6.1(c)(ii), 6.1(c)(iv), 6.1(c)(vi), 6.1(c)(vii) or 6.1(c)(ix).

“*Residual Gain*” or “*Residual Loss*” means any item of gain or loss, as the case may be, of the Partnership recognized for federal income tax purposes resulting from a sale, exchange or other disposition of a Contributed Property or Adjusted Property, to the extent such item of gain

or loss is not allocated pursuant to Section 6.2(b)(i)(A) or 6.2(b)(ii)(A), respectively, to eliminate Book-Tax Disparities.

“*S&P Criteria*” means a duly appointed member of the Audit and Conflicts Committee who had not been, at the time of such appointment to the Audit and Conflicts Committee or at any time in the preceding five years or, in the event any such member was previously a member of the Audit and Conflicts Committee of the Predecessor General Partner, at the time of such member’s appointment to the Audit and Conflicts Committee of the Predecessor General Partner, (a) a direct or indirect legal or beneficial owner of interests in the Partnership or any of its Affiliates (excluding de minimis ownership interests and Common Units having a value of less than \$1,000,000), (b) a creditor, supplier, employee, officer, director, family member, manager or contractor of the Partnership or its Affiliates, or (c) a person who controls (whether directly, indirectly or otherwise) the Partnership or its Affiliates or any creditor, supplier, employee, officer, director, manager or contractor of the Partnership or its Affiliates.

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

“*Series 2002B Class Special Units*” has the meaning assigned to such term in Section 5.3(d).

“*Special Approval*” means approval by a majority of the members of the Audit and Conflicts Committee, at least one of which majority meets the S&P Criteria.

“*Subsidiary*” means, with respect to any Person, (a) a corporation of which more than 50% of the voting power of shares entitled (without regard to the occurrence of any contingency) to vote in the election of directors or other governing body of such corporation is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person or a combination thereof, (b) a partnership (whether general or limited) in which such Person or a Subsidiary of such Person is, at the date of determination, a general or limited partner of such partnership, but only if more than 50% of the partnership interests of such partnership (considering all of the partnership interests of the partnership as a single class) is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person, or a combination thereof, or (c) any other Person (other than a corporation or a partnership) in which such Person, one or more Subsidiaries of such Person, or a combination thereof, directly or indirectly, at the date of determination, has (i) at least a majority ownership interest or (ii) the power to elect or direct the election of a majority of the directors or other governing body of such Person.

“*Substituted Limited Partner*” means a Person who is admitted as a Limited Partner to the Partnership pursuant to Section 10.2 in place of and with all the rights of a Limited Partner and who is shown as a Limited Partner on the books and records of the Partnership.

“*Surviving Business Entity*” has the meaning assigned to such term in Section 14.2(b).

“*Trading Day*” has the meaning assigned to such term in Section 15.1(a).

“*Transfer*” has the meaning assigned to such term in Section 4.4(a).

“*Transfer Agent*” means such bank, trust company or other Person (including the General Partner or one of its Affiliates) as shall be appointed from time to time by the Partnership to act as registrar and transfer agent for the Common Units and as may be appointed from time to time by the Partnership to act as registrar and transfer agent for any other Partnership Securities; provided that if no Transfer Agent is specifically designated for any such other Partnership Securities, the General Partner shall act in such capacity.

“*Transfer Application*” means an application and agreement for transfer of Limited Partner Interests in the form set forth on the back of a Certificate or in a form substantially to the same effect in a separate instrument.

“*Underwriter*” means each Person named as an underwriter in Schedule 1 to the Underwriting Agreement who purchases Common Units pursuant thereto.

“*Underwriting Agreement*” means the Underwriting Agreement dated July 27, 1998, among the Underwriters, the Partnership and certain other parties, providing for the purchase of Common Units by such Underwriters.

“*Unit*” means a Partnership Security that is designated as a “Unit” (including Common Units) representing a fractional part of the Partnership Interests of all Limited Partners and having the rights and obligations specified with respect to Units in this Agreement.

“*Unitholders*” means the holders of Common Units.

“*Unit Majority*” means at least a majority of the Outstanding Common Units.

“*Unrealized Gain*” attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (a) the fair market value of such property as of such date (as determined under Section 5.5(d)) over (b) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 5.5(d) as of such date).

“*Unrealized Loss*” attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (a) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 5.5(d) as of such date) over (b) the fair market value of such property as of such date (as determined under Section 5.5(d)).

“*Unrecovered Capital*” means at any time, with respect to a Unit, the Initial Unit Price less the sum of all distributions constituting Capital Surplus theretofore made in respect of an Initial Common Unit and any distributions of cash (or the Net Agreed Value of any distributions in kind) in connection with the dissolution and liquidation of the Partnership theretofore made in respect of an Initial Common Unit, adjusted as the General Partner determines to be appropriate to give effect to any distribution, subdivision or combination of such Units.

“*U.S. GAAP*” means United States Generally Accepted Accounting Principles consistently applied.

“*Withdrawal Opinion of Counsel*” has the meaning assigned to such term in Section 11.1(b).

“*Working Capital Facility*” means any working capital credit facility of the Partnership or the Operating Partnership that requires the outstanding balance of any working capital borrowings thereunder to be reduced to \$0 for at least fifteen consecutive calendar days each fiscal year.

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FOURTH AMENDED AND RESTATED  
LIMITED LIABILITY COMPANY AGREEMENT

OF

EPE HOLDINGS, LLC  
A Delaware Limited Liability Company

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FOURTH AMENDED AND RESTATED  
LIMITED LIABILITY COMPANY AGREEMENT  
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A Delaware Limited Liability Company

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FOURTH AMENDED AND RESTATED  
LIMITED LIABILITY COMPANY AGREEMENT

OF

EPE HOLDINGS, LLC  
A Delaware Limited Liability Company

THIS FOURTH AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT (this "**Agreement**") of EPE HOLDINGS, LLC, a Delaware limited liability company (the "**Company**"), executed effective as of November 22, 2010 (the "**Effective Date**"), is adopted, executed and agreed to, by Dan Duncan LLC, a Texas limited liability company, as the sole Member of the Company ("**DDLCC**").

RECITALS

- A. DDLCC formed the Company on April 19, 2005 as the sole member.
- B. The Limited Liability Company Agreement of EPE Holdings, LLC was executed effective April 19, 2005, was amended and restated pursuant to an Amended and Restated Limited Liability Company Agreement dated August 29, 2005, was amended and restated pursuant to a Second Amended and Restated Limited Liability Company Agreement dated as of February 13, 2006, and was amended and restated pursuant to a Third Amended and Restated Limited Liability Company Agreement dated as of November 7, 2007 (as so amended and as further amended on the date hereof, the "**Existing Agreement**").
- C. DDLCC, the sole Member of the Company, deems it advisable to amend and restate the limited liability company agreement of the Company in its entirety as set forth herein.

AGREEMENTS

For and in consideration of the premises, the covenants and agreements set forth herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, DDLCC hereby amends and restates the Existing Agreement in its entirety as follows:

ARTICLE 1  
DEFINITIONS

- 1.01** **Definitions.** Each capitalized term used herein shall have the meaning given such term in Attachment I.

1.02 **Construction.** Unless the context requires otherwise: (a) the gender (or lack of gender) of all words used in this Agreement includes the masculine, feminine and neuter; (b) references to Articles and Sections refer to Articles and Sections of this Agreement; (c) references to Laws refer to such Laws as they may be amended from time to time, and references to particular provisions of a Law include any corresponding provisions of any succeeding Law; (d) references to money refer to legal currency of the United States of America; (e) "including" means "including without limitation" and is a term of illustration and not of limitation; (f) all definitions set forth herein shall be deemed applicable whether the words defined are used herein in the singular or the plural; and (g) neither this Agreement nor any other agreement, document or instrument referred to herein or executed and delivered in connection herewith shall be construed against any Person as the principal draftsman hereof or thereof.

## ARTICLE 2 ORGANIZATION

2.01 **Formation.** The Company was organized as a Delaware limited liability company by the filing of a Certificate of Formation ("**Organizational Certificate**") on April 19, 2005 with the Secretary of State of the State of Delaware under and pursuant to the Act.

2.02 **Name.** The name of the Company is "EPE Holdings, LLC" and all Company business must be conducted in that name or such other names that comply with Law as the Board of Directors may select.

2.03 **Registered Office; Registered Agent; Principal Office; Other Offices.** The registered office of the Company required by the Act to be maintained in the State of Delaware shall be the office of the initial registered agent for service of process named in the Organizational Certificate or such other office (which need not be a place of business of the Company) as the Board of Directors may designate in the manner provided by Law. The registered agent for service of process of the Company in the State of Delaware shall be the initial registered agent for service of process named in the Organizational Certificate or such other Person or Persons as the Board of Directors may designate in the manner provided by Law. The principal office of the Company in the United States shall be at such a place as the Board of Directors may from time to time designate, which need not be in the State of Delaware, and the Company shall maintain records there and shall keep the street address of such principal office at the registered office of the Company in the State of Delaware. The Company may have such other offices as the Board of Directors may designate.

2.04 **Purpose.** The purposes of the Company are the transaction of any or all lawful business for which limited liability companies may be organized under the Act; *provided, however*, that for so long as it is the general partner of the MLP, the Company's sole business will be (a) to act as the general partner of the MLP (or managing member of any limited liability company successor thereto) and any other partnership or limited liability company of which the MLP is, directly or indirectly, a partner or managing member and to under take activities that are ancillary or related

thereto (including being a limited partner in the MLP) and (b) to acquire, own or Dispose of debt or equity securities in the MLP. The Company shall, and shall cause the MLP to, maintain at all times a sufficient number of employees in light of its then current business operations, if adequate personnel and services are not provided to the Company and the MLP under the Administrative Services Agreement.

**2.05 Term.** The period of existence of the Company commenced on April 19, 2005 and shall end at such time as a Certificate of Cancellation is filed in accordance with Section 11.02(c).

**2.06 No State-Law Partnership; Withdrawal.** It is the intent that the Company shall be a limited liability company formed under the Laws of the State of Delaware and shall not be a partnership (including a limited partnership) or joint venture, and that the Members not be a partner or joint venturer of any other party for any purposes other than federal and state tax purposes, and this Agreement may not be construed to suggest otherwise. A Member does not have the right to Withdraw from the Company; *provided, however*, that a Member shall have the power to Withdraw at any time in violation of this Agreement. If a Member exercises such power in violation of this Agreement, (a) such Member shall be liable to the Company and its Affiliates for all monetary damages suffered by them as a result of such Withdrawal; and (b) such Member shall not have any rights under Section 18-604 of the Act. In no event shall the Company have the right, through specific performance or otherwise, to prevent a Member from Withdrawing in violation of this Agreement.

**2.07 Certain Undertakings Relating to the Separateness of the MLP.**

(a) **Separateness Generally.** The Company shall, and shall cause the MLP to, conduct their respective businesses and operations separate and apart from those of any other Person (including EPCO and its Subsidiaries, other than the Company and EPE, but prior to the MLP Merger Effective Time including EPD and EPGP), except the Company and the MLP, in accordance with this Section 2.07.

(b) **Separate Records.** The Company shall, and shall cause the MLP to, (i) maintain their respective books and records and their respective accounts separate from those of any other Person, (ii) maintain their respective financial records, which will be used by them in their ordinary course of business, showing their respective assets and liabilities separate and apart from those of any other Person, except their consolidated Subsidiaries, (iii) not have their respective assets and/or liabilities included in a consolidated financial statement of any Affiliate of the Company unless appropriate notation shall be made on such Affiliate's consolidated financial statements to indicate the separateness of the Company and the MLP and their assets and liabilities from such Affiliate and the assets and liabilities of such Affiliate, and to indicate that the assets and liabilities of the Company and the MLP are not available to satisfy the debts and other obligations of such Affiliate, and (iv) file their respective own tax returns separate from those of any other Person, except (A) to the extent that the MLP or the Company (x) is treated as a "disregarded entity" for tax purposes or (y) is not otherwise required to file tax returns under applicable law or (B) as may otherwise be required by applicable law.

(c) Separate Assets. The Company shall not commingle or pool, and shall cause the MLP not to commingle or pool, their respective funds or other assets with those of any other Person, and shall maintain their respective assets in a manner that is not costly or difficult to segregate, ascertain or otherwise identify as separate from those of any other Person.

(d) Separate Name. The Company shall, and shall cause the MLP to, (i) conduct their respective businesses in their respective own names, (ii) use separate stationery, invoices, and checks, (iii) correct any known misunderstanding regarding their respective separate identities from that of any other Person (including EPCO and its Subsidiaries, other than the Company and the MLP, but prior to the MLP Merger Effective Time including EPD and EPGP), and (iv) generally hold itself out as an entity separate from any other Person (including EPCO and its Subsidiaries, other than the Company and the MLP, but prior to the MLP Merger Effective Time including EPD and EPGP).

(e) Separate Credit. The Company shall, and shall cause the MLP to, (i) pay their respective obligations and liabilities from their respective own funds (whether on hand or borrowed), (ii) maintain adequate capital in light of their respective business operations, (iii) not guarantee or become obligated for the debts of any other Person, other than the Company and the MLP, but prior to the MLP Merger Effective Time including EPD and EPGP, (iv) not hold out their respective credit as being available to satisfy the obligations or liabilities of any other Person, (v) not acquire debt obligations or debt securities of EPCO or its Affiliates (other than the MLP and/or the Company), (vi) not pledge their assets for the benefit of any Person or make loans or advances to any Person, or (vii) use its commercially reasonable efforts to cause the operative documents under which the MLP borrows money, is an issuer of debt securities, or guarantees any such borrowing or issuance after the Effective Date, to contain provisions to the effect that (A) the lenders or purchasers of debt securities, respectively, acknowledge that they have advanced funds or purchased debt securities, respectively, in reliance upon the separateness of the Company and the MLP from each other and from any other Persons (including EPCO and its Affiliates, other than the Company and the MLP) and (B) the Company and the MLP have assets and liabilities that are separate from those of other persons (including EPCO and its Affiliates, other than the Company and the MLP); provided that the Company and the MLP may engage in any transaction described in clauses (v)-(vi) of this Section 2.07(e) if prior Special Approval has been obtained for such transaction and either (A) the Audit and Conflicts Committee has determined that the borrower or recipient of the credit support is not then insolvent and will not be rendered insolvent as a result of such transaction or (B) in the case of transactions described in clause (v), such transaction is completed through a public auction or a National Securities Exchange.

(f) Separate Formalities. The Company shall, and shall cause the MLP to, (i) observe all limited liability company or partnership formalities and other formalities required by their respective organizational documents, the laws of the jurisdiction of their respective formation, or other laws, rules, regulations and orders of governmental authorities exercising jurisdiction over it, (ii) engage in transactions with EPCO and its

Affiliates (other than the Company or the MLP) in conformity with the requirements of Section 7.9 of each of the EPE Agreement and the EPD Agreement, and (iii) subject to the terms of the Administrative Services Agreement, promptly pay, from their respective own funds and on a timely basis, their respective allocable shares of general and administrative expenses, capital expenditures, and costs for shared services performed by EPCO or Affiliates of EPCO (other than the Company or the MLP). Each material contract between the Company or the MLP, on the one hand, and EPCO or Affiliates of EPCO (other than the Company or the MLP), on the other hand, shall be subject to the requirements of Section 7.9 of each of the EPE Agreement and the EPD Agreement, and must be (x) approved by Special Approval or (y) on terms objectively demonstrable to be no less favorable to the MLP than those generally being provided to or available from unrelated third parties, and in any event must be in writing.

(g) **No Effect.** Failure by the Company to comply with any of the obligations set forth above shall not affect the status of the Company as a separate legal entity, with its separate assets and separate liabilities.

**ARTICLE 3  
MATTERS RELATING TO MEMBERS**

**3.01 Members.** DDLLC has previously been admitted as a Member of the Company.

**3.02 Creation of Additional Membership Interest.** The Company may issue additional Membership Interests in the Company pursuant to this Section 3.02. The terms of admission or issuance may provide for the creation of different classes or groups of Members having different rights, powers, and duties. The creation of any new class or group of Members approved as required herein may be reflected in an amendment to this Agreement executed in accordance with Section 13.04 indicating the different rights, powers, and duties thereof. Any such admission is effective only after the new Member has executed and delivered to the Members an instrument containing the notice address of the new Member and the new Member's ratification of this Agreement and agreement to be bound by it.

**3.03 Liability to Third Parties.** No Member or beneficial owner of any Membership Interest shall be liable for the Liabilities of the Company.

**ARTICLE 4  
CAPITAL CONTRIBUTIONS**

**4.01 Capital Contributions.**

(a) In exchange for its Membership Interest, DDLLC has made certain Capital Contributions.

(b) The amount of money and the fair market value (as of the date of contribution) of any property (other than money) contributed to the Company by a Member in respect of the issuance of a Membership Interest to such Member shall

constitute a "**Capital Contribution**." Any reference in this Agreement to the Capital Contribution of a Member shall include a Capital Contribution of its predecessors in interest.

**4.02 Loans.** If the Company does not have sufficient cash to pay its obligations, any Member that may agree to do so may, upon Special Approval, advance all or part of the needed funds for such obligation to or on behalf of the Company. An advance described in this Section 4.02 constitutes a loan from the Member to the Company, may bear interest at a rate comparable to the rate the Company could obtain from third parties, and is not a Capital Contribution.

**4.03 Return of Contributions.** A Member is not entitled to the return of any part of its Capital Contributions or to be paid interest in respect of its Capital Contributions. An unrepaid Capital Contribution is not a liability of the Company or of any Member. No Member will be required to contribute or to lend any cash or property to the Company to enable the Company to return any Member's Capital Contributions.

#### **ARTICLE 5 DISTRIBUTIONS AND ALLOCATIONS**

**5.01 Distributions.** Subject to Section 11.02, within 45 days following each Quarter other than any Quarter in which the dissolution of the Company has commenced (the "**Distribution Date**"), the Company shall distribute to the Members the Company's Available Cash on such Distribution Date.

#### **ARTICLE 6 MANAGEMENT**

**6.01 Management.** All management powers over the business and affairs of the Company shall be exclusively vested in a Board of Directors ("**Board of Directors**" or "**Board**") and, subject to the direction of the Board of Directors, the Officers. The Officers and Directors shall each constitute a "manager" of the Company within the meaning of the Act. Except as otherwise specifically provided in this Agreement, no Member, by virtue of having the status of a Member, shall have or attempt to exercise or assert any management power over the business and affairs of the Company or shall have or attempt to exercise or assert actual or apparent authority to enter into contracts on behalf of, or to otherwise bind, the Company. Except as otherwise specifically provided in this Agreement, the authority and functions of the Board of Directors on the one hand and of the Officers on the other shall be identical to the authority and functions of the board of directors and officers, respectively, of a corporation organized under the Delaware General Corporation Law. Except as otherwise specifically provided in this Agreement, the business and affairs of the Company shall be managed under the direction of the Board of Directors, and the day-to-day activities of the Company shall be conducted on the Company's behalf by the Officers, who shall be agents of the Company.

In addition to the powers that now or hereafter can be granted to managers under the Act and to all other powers granted under any other provision of this Agreement,

except as otherwise provided in this Agreement, the Board of Directors and the Officers shall have full power and authority to do all things as are not restricted by this Agreement, the EPE Agreement, the EPD Agreement, the Act or applicable Law, on such terms as they may deem necessary or appropriate to conduct, or cause to be conducted, the business and affairs of the Company. However, notwithstanding any other provision of this Agreement to the contrary, the Company and the Board of Directors shall not undertake, either directly or indirectly, any of the following actions without first obtaining Special Approval:

(a) any merger or consolidation of the Company, except for a merger or consolidation with an Affiliate of the Company that is not subject to Section 7.9 of the EPE Agreement or the EPD Agreement, as applicable, and only if such Affiliate's organizational documents provide for the establishment of an "Audit and Conflicts Committee" to approve certain matters with respect to the transferee(s) and the Partnership, the selection of "Independent Directors" as members of the Audit and Conflicts Committee, and the submission of certain matters to the vote of the Audit and Conflicts Committee or to Special Approval upon similar terms and conditions as set forth in this Agreement;

(b) any action requiring Special Approval under the governing documents of the MLP;

(c) any Disposition, whether in one transaction or a series of transactions, of all or substantially all of the properties or assets of the Company, except for a Disposition to an Affiliate of the Company that is not subject to Section 7.9 of the EPE Agreement or the EPD Agreement, as applicable, and only if such Affiliate's organizational documents provide for the establishment of an "Audit and Conflicts Committee" to approve certain matters with respect to the transferee(s) and the Partnership, the selection of "Independent Directors" as members of the Audit and Conflicts Committee, and the submission of certain matters to the vote of the Audit and Conflicts Committee or to Special Approval upon similar terms and conditions as set forth in this Agreement;

(d) any (A) incurrence of any indebtedness by the Company, (B) assumption, incurrence, or undertaking by the Company of, or the grant by the Company of any security for, any financial commitment of any type whatsoever, including any purchase, sale, lease, loan, contract, borrowing or expenditure, or (C) lending of money by the Company to, or the guarantee by the Company of the debts of, any other Person other than the MLP (collectively, "**Company Obligations**") other than Company Obligations incurred pursuant to joint and several liability for the MLP's Liabilities under Delaware law;

(e) assigning, transferring, selling or otherwise Disposing of the Company's general partner interest in the Partnership, except to an Affiliate of the Company, and only if such Affiliate's organizational documents provide for the establishment of an "Audit and Conflicts Committee" to approve certain matters with respect to the transferee(s) and the Partnership, the selection of "Independent Directors" as members of the Audit and Conflicts Committee, and the submission of certain matters to the vote of



the Audit and Conflicts Committee or to Special Approval upon similar terms and conditions as set forth in this Agreement;

(f) owning or leasing any assets, or making other investments, other than the Company's interest in EPE, EPGP and EPD (including any membership interests or similar interests in entities which are limited liability companies, corporations, or other corporate forms), distributions received on such interest (and similar interest) and assets that are ancillary, related to or in furtherance of the purposes of the Company; or

(g) any amendment or repeal of the Organizational Certificate other than to effect (A) any amendment to this Agreement made in accordance with Section 13.04, (B) non-substantive changes or (C) changes that do not adversely affect the Member; or

*provided*, that nothing contained herein will require Special Approval for: (i) any merger or consolidation of the Company; (ii) any Disposition, whether in one transaction or a series of transactions, of all or substantially all of the properties or assets of the Company; or (iii) any assignment, transfer, sale or other Disposition of the Company's general partner interest (or similar interest in entities which are not partnerships) in the MLP, in each case to the extent that the surviving or acquiring Person is not an Affiliate of the Company and the Affiliates of the Company own, directly or indirectly, less than 25% of the voting power of such Person and a Person which is not an Affiliate of the Company owns greater than 50% of the voting power of such person.

**6.02 Board of Directors.**

(a) *Generally.* The Board of Directors shall consist of not less than five nor more than twelve natural persons. The members of the Board of Directors shall be appointed by DDLLC, *provided* that at least three of such members must meet the independence, qualification and experience requirements of (i) the New York Stock Exchange, (ii) Section 10A(m)(3) of the Securities Exchange Act of 1934 (or any successor Law), the rules and regulations of the SEC and other applicable Law and (iii) the charter of the Audit and Conflicts Committee (each, an "**Independent Director**"); *provided, however*, that if at any time at least three of the members of the Board of Directors are not Independent Directors, the Board of Directors shall still have all powers and authority granted to it hereunder, but the Board of Directors and DDLLC shall endeavor to elect additional Independent Directors to come into compliance with this Section 6.02(a).

(b) *Term; Resignation; Vacancies; Removal.* Each Director shall hold office until his successor is appointed and qualified or until his earlier resignation or removal. Any Director may resign at any time upon written notice to the Board, the Chairman of the Board, to the Chief Executive Officer or to any other Officer. Such resignation shall take effect at the time specified therein, and unless otherwise specified therein no acceptance of such resignation shall be necessary to make it effective. Vacancies and newly created directorships resulting from any increase in the authorized number of Directors or from any other cause shall be filled by DDLLC. Any Director may be

removed, with or without cause, by DDLCC at any time, and the vacancy in the Board caused by any such removal shall be filled by DDLCC.

(c) *Voting; Quorum; Required Vote for Action.* Unless otherwise required by the Act, other Law or the provisions hereof,

(i) each member of the Board of Directors shall have one vote;

(ii) except for matters requiring Special Approval, the presence at a meeting of a majority of the members of the Board of Directors shall constitute a quorum at any such meeting for the transaction of business;

(iii) except for matters requiring Special Approval, the act of a majority of the members of the Board of Directors present at a meeting duly called in accordance with Section 6.02(d) at which a quorum is present shall be deemed to constitute the act of the Board of Directors; and

(iv) **[Reserved]**

(v) without obtaining Special Approval, the Company shall not, and shall not take any action to cause the MLP to, (1) make or consent to a general assignment for the benefit of its respective creditors; (2) file or consent to the filing of any bankruptcy, insolvency or reorganization petition for relief under the United States Bankruptcy Code naming the Company or the MLP, as applicable, or otherwise seek, with respect to the Company or the MLP, relief from debts or protection from creditors generally; (3) file or consent to the filing of a petition or answer seeking for the Company or the MLP, as applicable, a liquidation, dissolution, arrangement, or similar relief under any law; (4) file an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Company or the MLP, as applicable, in a proceeding of the type described in any of clauses (1) — (3) of this Section 6.02(c)(v); (5) seek, consent to or acquiesce in the appointment of a receiver, liquidator, conservator, assignee, trustee, sequestrator, custodian or any similar official for the Company or the MLP, as applicable, or for all or any substantial portion of either entity's properties; (6) sell all or substantially all of the Company's or the MLP's assets, except in the case of the MLP, in accordance with Section 7.3 of the EPE Agreement or the EPD Agreement, as applicable; (7) dissolve or liquidate, except in the case of the MLP, in accordance with Article XII of the EPE Agreement or the EPD Agreement, as applicable; or (8) merge or consolidate, except in the case of the MLP, in accordance with Article XIV of the EPE Agreement or the EPD Agreement, as applicable.

(d) *Meetings.* Regular meetings of the Board of Directors shall be held at such times and places as shall be designated from time to time by resolution of the Board of Directors. Special meetings of the Board of Directors or meetings of any committee thereof may be called by written request authorized by any member of the Board of Directors or a committee thereof on at least 48 hours prior written notice to the other members of such Board or committee. Any such notice, or waiver thereof, need not state the purpose of such meeting, except as may otherwise be required by law. Attendance of

a Director at a meeting (including pursuant to the last sentence of this Section 6.02(d)) shall constitute a waiver of notice of such meeting, except where such Director attends the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened. Subject to Article 11, any action required or permitted to be taken at a meeting of the Board of Directors or any committee thereof may be taken without a meeting, without prior notice and without a vote if a consent or consents in writing, setting forth the action so taken, are signed by at least as many members of the Board of Directors or committee thereof as would have been required to take such action at a meeting of the Board of Directors or such committee. Members of the Board of Directors or any committee thereof may participate in and hold a meeting by means of conference telephone, video conference or similar communications equipment by means of which all Persons participating in the meeting can hear each other, and participation in such meetings shall constitute presence in person at the meeting.

(e) *Committees.*

(i) Subject to compliance with this Article 6, committees of the Board of Directors shall have and may exercise such of the powers and authority of the Board of Directors with respect to the management of the business and affairs of the Company as may be provided in a resolution of the Board of Directors. Any committee designated pursuant to this Section 6.02(e) shall choose its own chairman, shall keep regular minutes of its proceedings and report the same to the Board of Directors when requested, and, subject to Section 6.02(d), shall fix its own rules or procedures and shall meet at such times and at such place or places as may be provided by such rules or by resolution of such committee or resolution of the Board of Directors. At every meeting of any such committee, the presence of a majority of all the members thereof shall constitute a quorum and the affirmative vote of a majority of the members present shall be necessary for the adoption by it of any resolution (except for obtaining Special Approval at meetings of the Audit and Conflicts Committee, which requires the affirmative vote of a majority of the members of such committee). The Board of Directors may designate one or more Directors as alternate members of any committee who may replace any absent or disqualified member at any meeting of such committee; *provided, however*, that any such designated alternate of the Audit and Conflicts Committee must meet the standards for an Independent Director. In the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of the absent or disqualified member; *provided, however*, that any such replacement member of the Audit and Conflicts Committee must meet the standards for an Independent Director.

(ii) In addition to any other committees established by the Board of Directors pursuant to Section 6.02(e)(i), the Board of Directors shall maintain an Audit and Conflicts Committee. The Audit and Conflicts Committee shall be responsible for (A) approving or disapproving, as the case may be, any matters regarding the business and affairs of the Company, the MLP required to be considered by, or submitted to, such Audit and Conflicts Committee pursuant to the terms of the EPE Agreement and the EPD

Agreement, (B) assisting the Board in monitoring (1) the integrity of the MLP's and the Company's financial statements, (2) the qualifications and independence of the MLP's and the Company's independent accountants, (3) the performance of the MLP's and the Company's internal audit function and independent accountants, and (4) the MLP's and the Company's compliance with legal and regulatory requirements, (C) preparing the report required by the rules of the SEC to be included in the MLP's annual report on Form 10-K, (D) approving any material amendments to the Administrative Services Agreement, (E) approving or disapproving, as the case may be, the entering into of any transaction with a Member or any Affiliate of a Member, other than transactions in the ordinary course of business, to the extent that the Board of Directors requests the Audit and Conflicts Committee to make such determination, (F) approving any of the actions described in Section 6.01(a)-(g) and Section 6.02(c)(v) to be taken on behalf of the Company or the MLP, (G) amending (1) Section 2.07, (2) the definition of "Independent Director" in Section 6.02(a), (3) the requirement that at least three directors be Independent Directors, (4) Sections 6.01(a)-(g) or 6.02 (c)(v) or (6) this Section 6.02(e)(ii), and (H) performing such other functions as the Board may assign from time to time, or as may be specified in the charter of the Audit and Conflicts Committee. In acting or otherwise voting on the matters referred to in this Section 6.02(e)(ii), to the fullest extent permitted by law, including Section 18-1101(c) of the Act and Section 17-1101(c) of the Delaware Revised Uniform Limited Partnership Act, as amended from time to time, the Directors constituting the Audit and Conflicts Committee shall be subject to the requirements of Section 7.9 of each of the EPE Agreement and the EPD Agreement and, when acting (or refraining from acting) in accordance with those requirements, any action (or inaction) taken (or omitted) by the Directors constituting the Audit and Conflicts Committee shall be permitted and deemed approved by all Members, and shall not constitute a breach of this Agreement, of the EPE Agreement, of the EPD Agreement, of any agreement contemplated herein or therein, or of any duty stated or implied by law or equity.

**6.03 Officers.**

(a) *Generally.* The Board of Directors, as set forth below, shall appoint officers of the Company ("**Officers**"), who shall (together with the Directors) constitute "managers" of the Company for the purposes of the Act. Unless provided otherwise by resolution of the Board of Directors, the Officers shall have the titles, power, authority and duties described below in this Section 6.03.

(b) *Titles and Number.* The Officers of the Company shall be the Chairman of the Board (unless the Board of Directors provides otherwise), the Vice Chairman, the Chief Executive Officer, the President, any and all Vice Presidents, the Secretary, the Chief Financial Officer, any Treasurer and any and all Assistant Secretaries and Assistant Treasurers and the Chief Legal Officer. There shall be appointed from time to time such Vice Presidents, Secretaries, Assistant Secretaries, Treasurers and Assistant Treasurers as the Board of Directors may desire. Any person may hold more than one office.

(c) *Appointment and Term of Office.* The Officers shall be appointed by the Board of Directors at such time and for such term as the Board of Directors shall

determine. Any Officer may be removed, with or without cause, only by the Board of Directors. Vacancies in any office may be filled only by the Board of Directors.

(d) *Chairman of the Board.* The Chairman of the Board shall preside at all meetings of the Board of Directors and of the unitholders of the MLP; and he shall have such other powers and duties as from time to time may be assigned to him by the Board of Directors.

(e) *Vice Chairman.* In the absence of the Chairman of the Board, the Vice Chairman shall preside at all meetings of the Board of Directors and of the unitholders of the MLP; and he shall have such other powers and duties as from time to time may be assigned to him by the Board of Directors.

(f) *Chief Executive Officer.* Subject to the limitations imposed by this Agreement, any employment agreement, any employee plan or any determination of the Board of Directors, the Chief Executive Officer, subject to the direction of the Board of Directors, shall be the chief executive officer of the Company and shall be responsible for the management and direction of the day-to-day business and affairs of the Company, its other Officers, employees and agents, shall supervise generally the affairs of the Company and shall have full authority to execute all documents and take all actions that the Company may legally take. In the absence of the Chairman of the Board and the Vice Chairman, the Chief Executive Officer shall preside at all meetings of the unitholders of the MLP and (should he be a director) of the Board of Directors. The Chief Executive Officer shall exercise such other powers and perform such other duties as may be assigned to him by this Agreement or the Board of Directors, including any duties and powers stated in any employment agreement approved by the Board of Directors.

(g) *President.* Subject to the limitations imposed by this Agreement, any employment agreement, any employee plan or any determination of the Board of Directors, the President, subject to the direction of the Board of Directors, shall be the chief executive officer of the Company in the absence of a Chief Executive Officer and shall be responsible for the management and direction of the day-to-day business and affairs of the Company, its other Officers, employees and agents, shall supervise generally the affairs of the Company and shall have full authority to execute all documents and take all actions that the Company may legally take. In the absence of the Chairman of the Board, the Vice Chairman and a Chief Executive Officer, the President shall preside at all meetings of the unitholders of the MLP and (should he be a director) of the Board of Directors. The President shall exercise such other powers and perform such other duties as may be assigned to him by this Agreement or the Board of Directors, including any duties and powers stated in any employment agreement approved by the Board of Directors.

(h) *Vice Presidents.* In the absence of a Chief Executive Officer and the President, each Vice President appointed by the Board of Directors shall have all of the powers and duties conferred upon the President, including the same power as the President to execute documents on behalf of the Company. Each such Vice President

shall perform such other duties and may exercise such other powers as may from time to time be assigned to him by the Board of Directors or the President.

(i) *Secretary and Assistant Secretaries.* The Secretary shall record or cause to be recorded in books provided for that purpose the minutes of the meetings or actions of the Board of Directors, shall see that all notices are duly given in accordance with the provisions of this Agreement and as required by law, shall be custodian of all records (other than financial), shall see that the books, reports, statements, certificates and all other documents and records required by law are properly kept and filed, and, in general, shall perform all duties incident to the office of Secretary and such other duties as may, from time to time, be assigned to him by this Agreement, the Board of Directors or the President. The Assistant Secretaries shall exercise the powers of the Secretary during that Officer's absence or inability or refusal to act.

(j) *Chief Financial Officer.* The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of account of the Company and the MLP. He shall receive and deposit all moneys and other valuables belonging to the Company in the name and to the credit of the Company and shall disburse the same and only in such manner as the Board of Directors or the appropriate Officer of the Company may from time to time determine. He shall receive and deposit all moneys and other valuables belonging to the MLP in the name and to the credit of EPE or EPD, as applicable and shall disburse the same and only in such manner as the Board of Directors or the Chief Executive Officer may require. He shall render to the Board of Directors and the Chief Executive Officer, whenever any of them request it, an account of all his transactions as Chief Financial Officer and of the financial condition of the Company, and shall perform such further duties as the Board of Directors or the Chief Executive Officer may require. The Chief Financial Officer shall have the same power as the Chief Executive Officer to execute documents on behalf of the Company.

(k) *Treasurer and Assistant Treasurers.* The Treasurer shall have such duties as may be specified by the Chief Financial Officer in the performance of his duties. The Assistant Treasurers shall exercise the power of the Treasurer during that Officer's absence or inability or refusal to act. Each of the Assistant Treasurers shall possess the same power as the Treasurer to sign all certificates, contracts, obligations and other instruments of the Company. If no Treasurer or Assistant Treasurer is appointed and serving or in the absence of the appointed Treasurer and Assistant Treasurer, the Senior Vice President, or such other Officer as the Board of Directors shall select, shall have the powers and duties conferred upon the Treasurer.

(l) *Chief Legal Officer.* The Chief Legal Officer, subject to the discretion of the Board of Directors, shall be responsible for the management and direction of the day-to-day legal affairs of the Company. The Chief Legal Officer shall perform such other duties and may exercise such other powers as may from time to time be assigned to him by the Board of Directors or the President.

- (m) *Powers of Attorney.* The Company may grant powers of attorney or other authority as appropriate to establish and evidence the authority of the Officers and other persons.
- (n) *Delegation of Authority.* Unless otherwise provided by resolution of the Board of Directors, no Officer shall have the power or authority to delegate to any person such Officer's rights and powers as an Officer to manage the business and affairs of the Company.
- (o) *Officers.* The Board of Directors shall appoint Officers of the Company to serve from the date hereof until the death, resignation or removal by the Board of Directors with or without cause of such officer.

**6.04 Duties of Officers and Directors.** Except as otherwise specifically provided in this Agreement, the duties and obligations owed to the Company and to the Board of Directors by the Officers of the Company and by members of the Board of Directors of the Company shall be the same as the respective duties and obligations owed to a corporation organized under the Delaware General Corporation Law by its officers and directors, respectively. Notwithstanding the foregoing, the duties and obligations owed by, and any liabilities of, Officers and members of the Board of Directors of the Company to the MLP or its limited partners shall be limited as set forth in the EPE Agreement or the EPD Agreement, as applicable.

**6.05 Compensation.** The members of the Board of Directors who are neither Officers nor employees of the Company shall be entitled to compensation as directors and committee members as approved by the Board and shall be reimbursed for out-of-pocket expenses incurred in connection with attending meetings of the Board of Directors or committees thereof.

**6.06 Indemnification.**

(a) To the fullest extent permitted by Law but subject to the limitations expressly provided in this Agreement, each person shall be indemnified and held harmless by the Company from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including reasonable legal fees and expenses), judgments, fines, penalties, interest, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, in which any such person may be involved, or is threatened to be involved, as a party or otherwise, by reason of such person's status as (i) a present or former member of the Board of Directors or any committee thereof, (ii) a present or former Member, (i ii) a present or former Officer, or (iv) a Person serving at the request of the Company in another entity in a similar capacity as that referred to in the immediately preceding clauses (i) or (iii), *provided*, that in each case the Person described in the immediately preceding clauses (i), (ii), (iii) or (iv) ("*Indemnitee*") shall not be indemnified and held harmless if there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that, in respect of the matter for which the Indemnitee is seeking indemnification pursuant to this Section 6.06, the

Indemnitee acted in bad faith or engaged in fraud, willful misconduct, or in the case of a criminal matter, acted with knowledge that the Indemnitee's conduct was unlawful. Any indemnification pursuant to this Section 6.06 shall be made only out of the assets of the Company.

(b) To the fullest extent permitted by law, expenses (including reasonable legal fees and expenses) incurred by an Indemnitee who is indemnified pursuant to Section 6.06(a) in defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Company prior to a determination that the Indemnitee is not entitled to be indemnified, upon receipt by the Company of an undertaking by or on behalf of the Indemnitee to repay such amount if it shall be determined that the Indemnitee is not entitled to be indemnified as authorized in this Section 6.06.

(c) The indemnification provided by this Section 6.06 shall be in addition to any other rights to which an Indemnitee may be entitled under any agreement, as a matter of law or otherwise, both as to actions in the Indemnitee's capacity as (i) a present or former member of the Board of Directors or any committee thereof, (ii) a present or former Member, (iii) a present or former Officer of the Company, or (iv) a Person serving at the request of the Company in another entity in a similar capacity as that referred to in the immediately preceding clauses (i) or (iii), and as to actions in any other capacity, and shall continue as to an Indemnitee who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, assigns and administrators of the Indemnitee.

(d) The Company may purchase and maintain insurance, on behalf of the members of the Board of Directors, the Officers and such other persons as the Board of Directors shall determine, against any liability that may be asserted against or expense that may be incurred by such person in connection with the Company's activities or such person's activities on behalf of the Company, regardless of whether the Company would have the power to indemnify such person against such liability under the provisions of this Agreement.

(e) For purposes of this Section 6.06, the Company shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by the Indemnitee of such Indemnitee's duties to the Company also imposes duties on, or otherwise involves services by, the Indemnitee to the plan or participants or beneficiaries of the plan; excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall constitute "fines" within the meaning of Section 6.06(a); and action taken or omitted by the Indemnitee with respect to an employee benefit plan in the performance of such Indemnitee's duties for a purpose reasonably believed by such Indemnitee to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose which is in, or not opposed to, the best interests of the Company.

(f) In no event may an Indemnitee subject any Members of the Company to personal liability by reason of the indemnification provisions of this Agreement.



(g) An Indemnitee shall not be denied indemnification in whole or in part under this Section 6.06 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

(h) The provisions of this Section 6.06 are for the benefit of the Indemnitees, their heirs, successors, assigns and administrators and shall not be deemed to create any rights for the benefit of any other Persons.

(i) No amendment, modification or repeal of this Section 6.06 or any provision hereof shall in any manner terminate, reduce or impair either the right of any past, present or future Indemnitee to receive indemnification (including expense advancement as provided by Section 6.06(b)) from the Company or the obligation of the Company to indemnify, or advance the expenses of, any such Indemnitee under and in accordance with the provisions of this Section 6.06 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted, and provided such Person became an Indemnitee here under prior to such amendment, modification or repeal.

(j) THE PROVISIONS OF THE INDEMNIFICATION PROVIDED IN THIS SECTION 6.06 ARE INTENDED BY THE PARTIES TO APPLY EVEN IF SUCH PROVISIONS HAVE THE EFFECT OF EXCULPATING THE INDEMNITEE FROM LEGAL RESPONSIBILITY FOR THE CONSEQUENCES OF SUCH PERSON'S NEGLIGENCE, FAULT OR OTHER CONDUCT.

**6.07 Liability of Indemnitees.**

(a) Notwithstanding anything to the contrary set forth in this Agreement, no Indemnitee shall be liable for monetary damages to the Company, the Members or any other Person for losses sustained or liabilities incurred as a result of any act or omission of an Indemnitee unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that, in respect of the matter in question, the Indemnitee acted in bad faith or engaged in fraud, willful misconduct or, in the case of a criminal matter, acted with knowledge that the Indemnitee's conduct was criminal.

(b) Subject to its obligations and duties as set forth in this Article 6, the Board of Directors and any committee thereof may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through the Company's Officers or agents, and neither the Board of Directors nor any committee thereof shall be responsible for any misconduct or negligence on the part of any such Officer or agent appointed by the Board of Directors or any committee thereof in good faith.

(c) Any amendment, modification or repeal of this Section 6.07 or any provision hereof shall be prospective only and shall not in any way affect the limitations on liability under this Section 6.07 as in effect immediately prior to such amendment,

**ARTICLE 7  
TAX MATTERS**

**7.01 Tax Returns.**

(a) The Board of Directors shall cause to be prepared and timely filed (on behalf of the Company) all federal, state and local tax returns required to be filed by the Company, including making all elections on such tax returns. The Company shall bear the costs of the preparation and filing of its returns.

(b) The Board of Directors shall cause to be prepared and timely filed (for the Company, and on behalf of the MLP) all federal, state and local tax returns required to be filed by the Company or the MLP. The Company shall deliver a copy of each such tax return to the Members within ten Days following the date on which any such tax return is filed, together with such additional information as may be required by the Members.

**ARTICLE 8  
BOOKS, RECORDS, REPORTS, AND BANK ACCOUNTS**

**8.01 Maintenance of Books.**

(a) The Board of Directors shall keep or cause to be kept at the principal office of the Company or at such other location approved by the Board of Directors complete and accurate books and records of the Company, supporting documentation of the transactions with respect to the conduct of the Company's business and minutes of the proceedings of the Board of Directors and any other books and records that are required to be maintained by applicable Law.

(b) The books of account of the Company shall be maintained on the basis of a fiscal year that is the calendar year and on an accrual basis in accordance with generally accepted accounting principles, consistently applied, or such other accounting standards as may be required by the SEC.

**8.02 Reports.** The Board of Directors shall cause to be prepared and delivered to each Member such reports, forecasts, studies, budgets and other information as the Members may reasonably request from time to time.

**8.03 Bank Accounts.** Funds of the Company shall be deposited in such banks or other depositories as shall be designated from time to time by the Board of Directors. All withdrawals from any such depository shall be made only as authorized by the Board of Directors and shall be made only by check, wire transfer, debit memorandum or other written instruction.

**8.04 Tax Statements.** The Company shall use reasonable efforts to furnish, within 90 Days of the close of each taxable year of the Company, estimated tax information reasonably required by the Members for federal and state income tax reporting purposes.

**ARTICLE 9  
[RESERVED]**

**ARTICLE 10  
[RESERVED]**

**ARTICLE 11  
DISSOLUTION, WINDING-UP AND TERMINATION**

**11.01 Dissolution.**

(a) The Company shall dissolve and its affairs shall be wound up on the first to occur of the following events (each a "**Dissolution Event**"):

- (i) the unanimous consent of the Board of Directors;
- (ii) the entry of a decree of judicial dissolution of the Company under Section 18-802 of the Act;
- (iii) at any time there are no Members of the Company, unless the Company is continued in accordance with the Act or this Agreement.

(b) No other event shall cause a dissolution of the Company.

(c) Upon the occurrence of any event that causes there to be no Members of the Company, to the fullest extent permitted by law, the personal representative of the last remaining Member is hereby authorized to, and shall, within 90 days after the occurrence of the event that terminated the continued membership of such Member in the Company, agree in writing (i) to continue the Company and (ii) to the admission of the personal representative or its nominee or designee, as the case may be, as a substitute Member of the Company, effective as of the occurrence of the event that terminated the continued membership of such Member in the Company.

(d) Notwithstanding any other provision of this Agreement, the Bankruptcy of a Member shall not cause such Member to cease to be a member of the Company and, upon the occurrence of such an event, the Company shall continue without dissolution.

**11.02 Winding-Up and Termination.**

(a) On the occurrence of a Dissolution Event, the Board of Directors shall select one or more Persons to act as liquidator. The liquidator shall proceed diligently to wind up the affairs of the Company and make final distributions as provided herein and in the Act. The costs of winding up shall be borne as a Company expense. Until final

distribution, the liquidator shall continue to operate the Company properties with all of the power and authority of the Board of Directors. The steps to be accomplished by the liquidator are as follows:

- (i) as promptly as possible after dissolution and again after final winding up, the liquidator shall cause a proper accounting to be made by a recognized firm of certified public accountants of the Company's assets, liabilities, and operations through the last calendar day of the month in which the dissolution occurs or the final winding up is completed, as applicable;
  - (ii) the liquidator shall discharge from Company funds all of the debts, liabilities and obligations of the Company or otherwise make adequate provision for payment and discharge thereof (including the establishment of a cash escrow fund for contingent liabilities in such amount and for such term as the liquidator may reasonably determine); and
  - (iii) all remaining assets of the Company shall be distributed to the Members as follows:
    - (A) the liquidator may sell any or all Company property, including to Members; and
    - (B) Company property (including cash) shall be distributed to the Members.
- (b) The distribution of cash or property to a Member in accordance with the provisions of this Section 11.02 constitutes a complete return to the Member of its Capital Contributions and a complete distribution to the Member of its share of all the Company's property and constitutes a compromise to which all Members have consented within the meaning of Section 18-502(b) of the Act. No Member shall be required to make any Capital Contribution to the Company to enable the Company to make the distributions described in this Section 11.02.
- (c) On completion of such final distribution, the liquidator shall file a Certificate of Cancellation with the Secretary of State of the State of Delaware and take such other actions as may be necessary to terminate the existence of the Company.

**ARTICLE 12  
MERGER**

**12.01 Authority.** Subject to Section 6.01(a), the Company may merge or consolidate with one or more limited liability companies, corporations, business trusts or associations, real estate investment trusts, common law trusts or unincorporated businesses, including a general partnership or limited partnership, formed under the laws of the State of Delaware or any other jurisdiction, pursuant to a written agreement of merger or consolidation ("**Merger Agreement**") in accordance with this Article 12.

**12.02 Procedure for Merger or Consolidation.** The merger or consolidation of the Company pursuant to this Article 12 requires the prior approval of a majority the Board of Directors and compliance with Section 12.03. Upon such approval, the Merger Agreement shall set forth:

- (a) The names and jurisdictions of formation or organization of each of the business entities proposing to merge or consolidate;
- (b) The name and jurisdiction of formation or organization of the business entity that is to survive the proposed merger or consolidation ("**Surviving Business Entity**");
- (c) The terms and conditions of the proposed merger or consolidation;

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

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

(f) The effective time of the merger or consolidation, which may be the date of the filing of the certificate of merger pursuant to Section 12.04 or a later date specified in or determinable in accordance with the Merger Agreement (*provided*, that if the effective time of the merger or consolidation is to be later than the date of the filing of the certificate of merger or consolidation, the effective time shall be fixed no later than the time of the filing of the certificate of merger or consolidation and stated therein); and

(g) Such other provisions with respect to the proposed merger or consolidation as are deemed necessary or appropriate by the Board of Directors.

**12.03 Approval by Members of Merger or Consolidation.**

(a) The Board of Directors, upon its approval of the Merger Agreement, shall direct that the Merger Agreement be submitted to a vote of the Members, whether at a meeting or by written consent. A copy or a summary of the Merger Agreement shall be included in or enclosed with the notice of a meeting or the written consent.

(b) After approval by vote or consent of the Members, and at any time prior to the filing of the certificate of merger or consolidation pursuant to Section 12.04, the merger or consolidation may be abandoned pursuant to provisions therefor, if any, set forth in the Merger Agreement.

**12.04 Certificate of Merger or Consolidation.** Upon the required approval by the Board of Directors and the Members of a Merger Agreement, a certificate of merger or consolidation shall be executed and filed with the Secretary of State of the State of Delaware in conformity with the requirements of the Act.

**12.05 Effect of Merger or Consolidation.**

(a) At the effective time of the certificate of merger or consolidation:

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

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

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

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

(b) A merger or consolidation effected pursuant to this Article 12 shall not (i) be deemed to result in a transfer or assignment of assets or liabilities from one entity to another having occurred or (ii) require the Company (if it is not the Surviving Business Entity) to wind up its affairs, pay its liabilities or distribute its assets as required under Article 11 of this Agreement or under the applicable provisions of the Act.

**ARTICLE 13  
GENERAL PROVISIONS**

**13.01 Notices.** Except as expressly set forth to the contrary in this Agreement, all notices, requests or consents provided for or permitted to be given under this Agreement must be in writing and must be delivered to the recipient in person, by courier or mail or by facsimile or other electronic transmission and a notice, request or consent given under this Agreement is effective on receipt by the Person to receive it; provided, however, that a facsimile or other electronic transmission that is transmitted after the normal business hours of the recipient shall be deemed effective on the next Business Day. All notices, requests and consents to be sent to a Member must be sent to or made at the addresses given for that Member as that Member may specify by notice to the other Members. Any notice, request or consent to the Company must be given to all of the Members. Whenever any notice is required to be given by applicable Law, the Organizational Certificate or this Agreement, a written waiver thereof, signed by the Person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Whenever any notice is required to be given by Law, the Organizational Certificate or this Agreement, a written waiver thereof, signed by the Person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

**13.02 Entire Agreement; Supersedure.** This Agreement constitutes the entire agreement of the Members and their respective Affiliates relating to the subject matter hereof and supersedes all prior contracts or agreements with respect to such subject matter, whether oral or written.

**13.03 Effect of Waiver or Consent.** Except as provided in this Agreement, a waiver or consent, express or implied, to or of any breach or default by any Person in the performance by that Person of its obligations with respect to the Company is not a consent or waiver to or of any other breach or default in the performance by that Person of the same or any other obligations of that Person with respect to the Company. Except as provided in this Agreement, failure on the part of a Person to complain of any act of any Person or to declare any Person in default with respect to the Company, irrespective of how long that failure continues, does not constitute a waiver by that Person of its rights with respect to that default until the applicable statute-of-limitations period has run.

**13.04 Amendment or Restatement.** This Agreement may be amended or restated only by a written instrument executed by all Members; provided, however, that notwithstanding anything to the contrary contained in this Agreement, each Member agrees that the Board of Directors, without the approval of any Member, may amend any provision of the Organizational Certificate and this Agreement, and may authorize any Officer to execute, swear to, acknowledge, deliver, file and record any such amendment and whatever documents may be required in connection therewith, to reflect any change that does not require consent or approval (or for which such consent or approval has been obtained ) under this Agreement or does not materially adversely affect the rights of the Members; provided, further, that any amendment to Section 2.04 of this Agreement shall be deemed to materially affect the Members.

13.05 **Binding Effect.** This Agreement is binding on and shall inure to the benefit of the Members and their respective heirs, legal representatives, successors and assigns.

13.06 **Governing Law; Severability.** THIS AGREEMENT IS GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF DELAWARE, EXCLUDING ANY CONFLICT-OF-LAWS RULE OR PRINCIPLE THAT MIGHT REFER THE GOVERNANCE OR THE CONSTRUCTION OF THIS AGREEMENT TO THE LAW OF ANOTHER JURISDICTION. In the event of a direct conflict between the provisions of this Agreement and (a) any provision of the Organizational Certificate, or (b) any mandatory, non-waivable provision of the Act, such provision of the Organizational Certificate or the Act shall control. If any provision of the Act provides that it may be varied or superseded in the limited liability company agreement (or otherwise by agreement of the members or managers of a limited liability company), such provision shall be deemed superseded and waived in its entirety if this Agreement contains a provision addressing the same issue or subject matter. If any provision of this Agreement or the application thereof to any Person or circumstance is held invalid or unenforceable to any extent, (a) the remainder of this Agreement and the application of that provision to other Persons or circumstances is not affected thereby and that provision shall be enforced to the greatest extent permitted by Law, and (b) the Members or Directors (as the case may be) shall negotiate in good faith to replace that provision with a new provision that is valid and enforceable and that puts the Members in substantially the same economic, business and legal position as they would have been in if the original provision had been valid and enforceable.

13.07 **[Reserved]**

13.08 **Further Assurances.** In connection with this Agreement and the transactions contemplated hereby, each Member shall execute and deliver any additional documents and instruments and perform any additional acts that may be necessary or appropriate to effectuate and perform the provisions of this Agreement and those transactions.

13.09 **[Reserved]**

13.10 **Offset.** Whenever the Company is to pay any sum to any Member, any amounts that a Member owes the Company may be deducted from that sum before payment.

13.11 **Counterparts.** This Agreement may be executed in any number of counterparts with the same effect as if all signing parties had signed the same document. All counterparts shall be construed together and constitute the same instrument.

*[Signature Page Follows]*



IN WITNESS WHEREOF, DDLIC has executed this Agreement as the sole member as of the date first set forth above.

MEMBER:

**DAN DUNCAN LLC**

By: /s/ Richard H. Bachmann  
Name: Richard H. Bachmann  
Title: Manager

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**Attachment I**

**Defined Terms**

**Act** - the Delaware Limited Liability Company Act and any successor statute, as amended from time to time.

**Administrative Services Agreement** - the Fifth Amended and Restated Administrative Services Agreement, dated as of January 30, 2009, by and among EPCO, EPE, the Company, EPD, the OLP, OLPGP, Enterprise Products GP, LLC, DEP Holdings, LLC, Duncan Energy Partners L.P., DEP Operating Partnership L.P., TEPPCO Partners, L.P., Texas Eastern Products Pipeline Company, LLC, TE Products Pipeline Company, Limited Partnership, TEPPCO Midstream Companies, LLC, TCTM, L.P. and TEPPCO GP, Inc., as the same may be amended, modified, supplemented or restated from time to time.

**Affiliate** - with respect to any Person, each Person Controlling, Controlled by or under common Control with such first Person.

**Agreement** - this Fourth Amended and Restated Limited Liability Company Agreement of EPE Holdings, LLC, as the same may be amended, modified, supplemented or restated from time to time.

**Audit and Conflicts Committee** - that committee of the Board composed of at least three Independent Directors and serving the functions of the "Audit and Conflicts Committee" as set forth in the EPE Agreement or the EPD Agreement, as applicable (such committee is currently known as the "Audit, Conflicts and Governance Committee," but this definition shall include any committee that may in the future serve the functions of the "Audit and Conflicts Committee" as set forth in the EPE Agreement or the EPD Agreement, as applicable).

**Available Cash** - as of any Distribution Date, (A) all cash and cash equivalents of the Company on hand on such date, less (B) the amount of any cash reserves determined to be appropriate by the Board of Directors.

**Bankruptcy or Bankrupt** - with respect to any Person, that (a) such Person (i) makes an assignment for the benefit of creditors; (ii) files a voluntary petition in bankruptcy; (iii) is insolvent, or has entered against such Person an order for relief in any bankruptcy or insolvency proceeding; (iv) files a petition or answer seeking for such Person any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any Law; (v) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against such Person in a proceeding of the type described in subclauses (i) through (iv) of this clause (a); or (vi) seeks, consents to or acquiesces in the appointment of a trustee, receiver or liquidator of such Person or of all or any substantial part of such Person's properties; or (b) 120 Days have passed after the commencement of any proceeding seeking

reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any Law, if the proceeding has not been dismissed, or 90 Days have passed after the appointment without such Person's consent or acquiescence of a trustee, receiver or liquidator of such Person or of all or any substantial part of such Person's properties, if the appointment is not vacated or stayed, or 90 Days have passed after the date of expiration of any such stay, if the appointment has not been vacated.

**Board of Directors or Board** - Section 6.01.

**Business Day** - any Day other than a Saturday, a Sunday or a Day on which national banking associations in the State of Texas are authorized or required by Law to close.

**Capital Contribution** - Section 4.01(b).

**Change of Member Control** - means, in the case of any Member, an event or series of related events that result in a Member ceasing to be Controlled by the Person that controlled such Member immediately prior to such event.

**Commitment** - means (a) options, warrants, convertible securities, exchangeable securities, subscription rights, conversion rights, exchange rights, or other contracts, agreements or commitments that could require a Person to issue any of its Equity Interests or to sell any Equity Interests it owns in another Person; (b) any other securities convertible into, exchangeable or exercisable for, or representing the right to subscribe for any Equity Interest of a Person or owned by a Person; (c) statutory or contractual pre-emptive rights or pre-emptive rights granted under a Person's organizational or constitutive documents; and (d) stock appreciation rights, phantom stock, profit participation, or other similar rights with respect to a Person.

**Company** - initial paragraph.

**Control** - shall mean the possession, directly or indirectly, of the power and authority to direct or cause the direction of the management and policies of a Person, whether through ownership or control of Voting Stock, by contract or otherwise.

**Day** - a calendar Day; *provided, however*, that, if any period of Days referred to in this Agreement shall end on a Day that is not a Business Day, then the expiration of such period shall be automatically extended until the end of the first succeeding Business Day.

**Delaware General Corporation Law** - Title 8 of the Delaware Code, as amended from time to time.

**Director** - each member of the Board of Directors elected as provided in Section 6.02.

**Dispose, Disposing or Disposition** means, with respect to any asset, any sale, assignment, transfer, conveyance, gift, exchange or other disposition of such asset, whether such disposition be voluntary, involuntary or by operation of Law.

**Dissolution Event** - Section 11.01(a).

**Distribution Date** - Section 5.01.

**Effective Date** - initial paragraph.

**EPD** - Enterprise Products Partners L.P., a Delaware limited partnership.

**EPD Agreement** - the Fifth Amended and Restated Agreement of Limited Partnership of EPD, dated as of August 8, 2005, as amended, supplemented, amended and restated, or otherwise modified from time to time.

**EPE** -Enterprise GP Holdings L.P., a Delaware limited partnership.

**EPCO** - EPCO, Inc., a Texas corporation.

**EPE Agreement** - the First Amended and Restated Agreement of Limited Partnership of Enterprise GP Holdings L.P., dated effective as of August 29, 2005, as amended, supplemented, amended and restated, or otherwise modified from time to time.

**EPGP** - Enterprise Products GP, LLC, a Delaware limited liability company and wholly-owned subsidiary of EPE.

**Equity Interest** - (a) with respect to a corporation, any and all shares of capital stock and any Commitments with respect thereto, (b) with respect to a partnership, limited liability company, trust or similar Person, any and all units, interests or other partnership, limited liability company, trust or similar interests, and any Commitments with respect thereto, and (c) any other direct or indirect equity ownership or participation in a Person (including any incentive distribution rights).

**Existing Agreement** - Recitals.

**GP Merger** - the merger of EPGP with and into EPE pursuant to the GP Merger Agreement.

**GP Merger Agreement** - the Agreement and Plan of Merger, dated as of September 3, 2010, by and among the Company, EPE and EPGP.

**GP Merger Effective Time** - the Effective Time of the GP Merger, as defined in the GP Merger Agreement.

**Indemnitee**- Section 6.06(a).

**Independent Director**- Section 6.02(a).

**Law** - any applicable constitutional provision, statute, act, code (including the Code), law, regulation, rule, ordinance, order, decree, ruling, proclamation, resolution, judgment, decision, declaration or interpretative or advisory opinion or letter of a governmental authority.

**Liability** - any liability or obligation, whether known or unknown, asserted or unasserted, absolute or contingent, matured or unmatured, conditional or unconditional, latent or patent, accrued or unaccrued, liquidated or unliquidated, or due or to become due.

**Member** - any Person executing this Agreement as of the date of this Agreement as a member or hereafter admitted to the Company as a member as provided in this Agreement, but such term does not include any Person who has ceased to be a member in the Company.

**Membership Interest** - with respect to any Member, (a) that Member's status as a Member; (b) that Member's share of the income, gain, loss, deduction and credits of, and the right to receive distributions from, the Company; (c) all other rights, benefits and privileges enjoyed by that Member (under the Act, this Agreement, or otherwise) in its capacity as a Member; and (d) all obligations, duties and liabilities imposed on that Member (under the Act, this Agreement or otherwise) in its capacity as a Member, including any obligations to make Capital Contributions.

**Merger Agreement** - Section 12.01.

**MergerCo** - Enterprise ETE LLC, a Delaware liability company.

**MLP** - (i) EPE up to and until the GP Merger Effective Time; (ii) each of EPE and EPD as of and following the GP Merger Effective Time and up to and until the MLP Merger Effective Time; and (iii) EPD as of and following the MLP Merger Effective Time.

**MLP Merger** - the merger of EPE with and into MergerCo pursuant to the MLP Merger Agreement.

**MLP Merger Agreement** - the Agreement and Plan of Merger, dated as of September 3, 2010, by and among the Company, EPE, EPD, EPGP and MergerCo.

**MLP Merger Effective Time** - the Effective Time of the MLP Merger, as defined in the MLP Merger Agreement.

**Officers** - any person elected as an officer of the Company as provided in Section 6.03(a), but such term does not include any person who has ceased to be an officer of the Company.

**OLP** - Enterprise Products Operating LLC, a Delaware limited liability company.

**OLPGP** - Enterprise Products OLPGP, Inc., a Delaware corporation and the managing member of OLP.

**Organizational Certificate** - Section 2.01.

**Outstanding** - with respect to the Membership Interest, all Membership Interests that are issued by the Company and reflected as outstanding on the Company's books and records as of the date of determination.

**Person** - a natural person, partnership (whether general or limited), limited liability company, governmental entity, trust, estate, association, corporation, venture, custodian, nominee or any other individual or entity in its own or any representative capacity.

**Quarter** - unless the context requires otherwise, a calendar quarter.

**SEC** - the U.S. Securities and Exchange Commission.

**Special Approval** - approval by a majority of the members of the Audit and Conflicts Committee in accordance with the EPE Agreement or the EPD Agreement, as applicable.

**Subsidiary** - with respect to any relevant Person, (a) a corporation of which more than 50% of the Voting Stock is owned, directly or indirectly, at the date of determination, by such relevant Person, by one or more Subsidiaries of such relevant Person or a combination thereof, (b) a partnership (whether general or limited) in which such relevant Person, one or more Subsidiaries of such relevant Person or a combination thereof is, at the date of determination, a general or limited partner of such partnership, but only if more than 50% of the partnership interests of such partnership (considering all of the partnership interests of the partnership as a single class) is owned, directly or indirectly, at the date of determination, by such relevant Person, by one or more Subsidiaries of such relevant Person, or a combination thereof, or (c) any other Person (other than a corporation or a partnership) in which such relevant Person, one or more Subsidiaries of such relevant Person, or a combination thereof, directly or indirectly, at the date of determination, has (i) at least a majority ownership interest or (ii) the power to elect or direct the election of a majority of the directors or other governing body of such other Person.

**Surviving Business Entity** - Section 12.02(b).

**Voting Stock** - with respect to any Person, Equity Interests in such Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of, or otherwise appoint, directors (or Persons with management authority performing similar functions) of such Person.



**FIRST AMENDMENT TO  
FOURTH AMENDED AND RESTATED  
LIMITED LIABILITY COMPANY AGREEMENT**

**OF**

**EPE HOLDINGS, LLC**

A Delaware Limited Liability Company

THIS FIRST AMENDMENT (this "**Amendment**") TO FOURTH AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT (the "**LLC Agreement**") of EPE HOLDINGS, LLC, a Delaware limited liability company (the "**Company**"), executed effective as of November 23, 2010 (the "**Effective Date**"), is adopted, executed and agreed to by Dan Duncan LLC, a Texas limited liability company ("**DD LLC**"), as the sole Member of the Company. Capitalized terms used but not defined herein are used as defined in the LLC Agreement.

**RECITALS**

WHEREAS, Section 13.04 of the LLC Agreement provides that the LLC Agreement may be amended or restated only by a written instrument executed by all Members provided, however, that notwithstanding anything to the contrary contained in this Agreement, each Member agrees that the Board of Directors, without the approval of any Member, may amend any provision of the Organizational Certificate and this Agreement, and may authorize any Officer to execute, swear to, acknowledge, deliver, file and record any such amendment and whatever documents may be required in connection therewith, to reflect any change that does not require consent or approval (or for which such consent or approval has been obtained) under this Agreement or does not materially adversely affect the rights of the Members; and

WHEREAS, DD LLC is the sole Member of the Company; and

WHEREAS, in accordance with Sections 18-102 and 18-202 of the Limited Liability Company Act of the State of Delaware, DD LLC has filed with the Secretary of State of the State of Delaware a certificate of amendment to the certificate of formation of the Company.

NOW THEREFORE, DD LLC does hereby amend the LLC Agreement effective as of the Effective Date as follows:

Section 1. **AMENDMENTS**

(a) **Section 2.02.** Section 2.02 is hereby amended and restated as follows:

"**2.02 Name.** The name of the Company is "Enterprise Products Holdings LLC" and all company business must be conducted in that name or such other names that comply with Law as the Board of Directors may select.



IN WITNESS WHEREOF, this First Amendment to Fourth Amended and Restated Limited Liability Company Agreement has been duly executed as of the date first above written.

DAN DUNCAN LLC

By: /s/ Richard H. Bachmann  
Name: Richard H. Bachmann  
Title: Manager

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**CERTIFICATE OF AMENDMENT  
TO  
CERTIFICATE OF FORMATION  
OF  
EPE HOLDINGS, LLC**

This Certificate of Amendment to Certificate of Formation of EPE Holdings, LLC (the "**Company**") is executed and filed pursuant to the provisions of Section 18-202 of the Delaware Limited Liability Company Act. The undersigned DOES HEREBY CERTIFY as follows:

1. The name of the Company is EPE Holdings, LLC.
2. The Certificate of Formation of the Company is hereby amended to reflect a change in the name of the Company by deleting Article 1 of the Certificate of Formation in its entirety and adding the following:  
  
"1. **Name.** The name of the Company is Enterprise Products Holdings LLC."
3. This Certificate of Amendment to Certificate of Formation shall become effective upon filing.

*[Signature on following page.]*

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Amendment to Certificate of Formation as of the 22<sup>nd</sup> day of November, 2010.

EPE Holdings, LLC

By: Dan Duncan LLC, its sole member

By: /s/ Richard H. Bachmann

Name: Richard H. Bachmann

Title: Manager



**CERTIFICATE OF AMENDMENT  
TO  
CERTIFICATE OF LIMITED PARTNERSHIP  
OF  
ENTERPRISE PRODUCTS PARTNERS L.P.**

This Certificate of Amendment to Certificate of Limited Partnership of Enterprise Products Partners L.P. (the "**Partnership**") is executed and filed pursuant to the provisions of Section 17-202 of the Delaware Revised Uniform Limited Partnership Act. The undersigned DOES HEREBY CERTIFY as follows:

1. The name of the Company is Enterprise Products Partners L.P.
2. The Certificate of Limited Partnership of the Partnership is hereby amended to reflect a change in the sole general partner of the Partnership by deleting Article 3 of the Certificate of Limited Partnership in its entirety and adding the following:

"1. **General Partner** . The name and the business, residence, or mailing address of the general partner are:

Enterprise Products Holdings LLC

P.O. Box 4324

Houston, Texas 77210-4324

*[Signature on following page.]*

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Amendment to Certificate of Limited Partnership as of the 22<sup>nd</sup> day of November, 2010.

EPE Holdings, LLC

By: Dan Duncan LLC, its sole member

By:           /s/ Richard H. Bachmann          

Name: Richard H. Bachmann

Title: Manager





DISTRIBUTION WAIVER AGREEMENT

BY AND AMONG

ENTERPRISE PRODUCTS PARTNERS L.P.,

EPCO HOLDINGS, INC.

AND

THE EPD UNITHOLDER

DATED AS OF NOVEMBER 22, 2010

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**DISTRIBUTION WAIVER AGREEMENT**

**DISTRIBUTION WAIVER AGREEMENT**, dated as of November 22, 2010 (this "**Agreement**"), by and among Enterprise Products Partners L.P., a Delaware limited partnership (the "**Partnership**"), on the one hand, and EPCO Holdings, Inc., a Delaware corporation ("**EPCO Holdings**") and DFI Delaware Holdings, L.P., a Delaware limited partnership (the "**EPD Unitholder**"), on the other hand.

**WITNESSETH:**

**WHEREAS**, the Partnership, Enterprise Products GP, LLC, Enterprise ETE LLC ("**MergerCo**"), Enterprise GP Holdings L.P. ("**Holdings**") and EPE Holdings, LLC ("**Holdings GP**") are entering into an Agreement and Plan of Merger, dated as of September 3, 2010 (as amended, supplemented, restated or otherwise modified from time to time, the "**Merger Agreement**") pursuant to which, among other things, Holdings will merge with and into MergerCo (the "**Merger**"), with MergerCo as the surviving entity, and (i) each outstanding limited partner unit of Holdings will be converted into the right to receive the merger consideration specified therein and (ii) the general partner interest owned by Holdings GP will be converted into the right to receive the merger consideration specified therein; and

**WHEREAS**, as of the date hereof, the EPD Unitholder is the record or direct owner, and following the Merger will continue to be the record owner, of Common Units representing limited partner interests of the Partnership ("**EPD Units**"); and

**WHEREAS**, the EPD Unitholder is an indirect, wholly owned subsidiary of EPCO Holdings, which also directly owns EPD Units;

**WHEREAS**, in connection with the transactions contemplated by the Merger, the Partnership and the EPD Unitholder and EPCO Holdings have agreed to enter into this Agreement and abide by the covenants and obligations set forth herein with respect to the Designated Units (as hereinafter defined), and the execution and delivery of this Agreement is a condition to the closing of the Merger on the date hereof; and

**NOW THEREFORE**, in consideration of the foregoing and the mutual representations, warranties, covenants and agreements herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

**ARTICLE 1**

**GENERAL**

**1.1 Defined Terms.** The following capitalized terms, as used in this Agreement, shall have the meanings set forth below. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Partnership Agreement.

"**Designated Units**" means the EPD Units subject to the terms of this Agreement, the applicable number of which for any applicable four-quarter period during the term of this

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Agreement is specified in Section 2.1(b), and which are designated by the EPD Unitholder as such in its sole discretion in accordance with Section 2.1 of this Agreement, and any Replacement Units.

“**Effective Date**” means the effective date of the Merger.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

“**General Partner**” means Enterprise Products GP, LLC, a Delaware limited liability company, and any other successor as general partner of the Partnership as applicable from time to time, including EPE Holdings, LLC, a Delaware limited liability company, after giving effect to the Merger.

“**Lien**” means any mortgage, lien, charge, restriction (including restrictions on transfer), pledge, security interest, option, right of first offer or refusal, preemptive right, put or call option, lease or sublease, claim, right of any third party, covenant, right of way, easement, encroachment or encumbrance.

“**Partnership Agreement**” means the Fifth Amended and Restated Agreement of Limited Partnership of the Partnership, dated effective as of August 8, 2005, as amended to date, and as may be amended hereafter from time to time, including the Sixth Amended and Restated Agreement of Limited Partnership of the Partnership, substantially in the form attached to the Merger Agreement, to be executed and delivered on the date hereof. References to Sections of the Partnership Agreement used in this Agreement shall mean the Sixth Amended and Restated Agreement as executed and delivered on the date hereof.

“**Person**” means any individual, corporation, limited liability company, limited or general partnership, joint venture, association, joint stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity, or any group comprised of two or more of the foregoing.

“**Replacement Units**” means any EPD Units designated by the EPD Unitholder pursuant to Section 5.1(b), by EPCO Holdings or any of its subsidiaries pursuant to Article 3 or by the Partnership pursuant to Section 5.3.

“**Transfer**” means, directly or indirectly, to sell, transfer, assign or similarly dispose of (by merger (including by conversion into securities or other consideration), by tendering into any tender or exchange offer, by testamentary disposition, by operation of law or otherwise), either voluntarily or involuntarily, or to enter into any contract, option or other arrangement or understanding with respect to the voting of or sale, transfer, assignment or similar disposition of (by merger, by tendering into any tender or exchange offer, by testamentary disposition, by operation of law or otherwise); *provided*, for purposes of clarification, a Transfer shall not include any existing or future pledges or security interests issued by the EPD Unitholder in connection with a bona fide credit agreement or loan.

“**2011 Designated Units**” means 30,610,000 Designated Units, which shall consist of the EPD Units identified pursuant to Section 2.1(a), or any Replacement Units therefor.

"2012 Designated Units" means 26,130,000 Designated Units, which shall consist of the EPD Units identified pursuant to Section 2.1(a), or any Replacement Units therefor.

"2013 Designated Units" means 23,700,000 Designated Units, which shall consist of the EPD Units identified pursuant to Section 2.1(a), or any Replacement Units therefor.

"2014 Designated Units" means 22,560,000 Designated Units, which shall consist of the EPD Units identified pursuant to Section 2.1(a), or any Replacement Units therefor.

"2015 Designated Units" means 17,690,000 Designated Units, which shall consist of the EPD Units identified pursuant to Section 2.1(a), or any Replacement Units therefor.

## ARTICLE 2

### DESIGNATED UNITS; WAIVER OF DISTRIBUTIONS WITH RESPECT TO DESIGNATED UNITS

#### 2.1 Designated Units; Waiver of Distributions with Respect to Designated Units.

(a) *Designated Units.* As soon as reasonably practicable after the date hereof, but in no event later than the earlier of (i) five Business Days after the date hereof or (ii) the next record date for distributions on EPD Units after the date of this Agreement, the EPD Unitholder agrees to designate specific EPD Units held in certificated or book-entry form as "Designated Units" subject to and in accordance with the terms of this Agreement.

(b) *Waiver of Distributions.* The EPD Unitholder hereby waives its right to receive distributions of Available Cash pursuant to Section 6.3 of the Partnership Agreement ("*Distributions*") as follows:

- (i) the EPD Unitholder waives its right to receive Distributions paid during calendar year 2011 with respect to the 2011 Designated Units;
  - (ii) the EPD Unitholder waives its right to receive Distributions paid during calendar year 2012 with respect to the 2012 Designated Units;
  - (iii) the EPD Unitholder waives its right to receive Distributions paid during calendar year 2013 with respect to the 2013 Designated Units;
  - (iv) the EPD Unitholder waives its right to receive Distributions paid during calendar year 2014 with respect to the 2014 Designated Units; and
  - (v) the EPD Unitholder waives its right to receive Distributions paid during calendar year 2015 with respect to the 2015 Designated Units.
- (c) The EPD Unitholder agrees to use its best efforts to permit the Partnership and the transfer agent for the EPD Units to identify and designate the Designated

Units in order to give effect to the provisions of this Agreement.

**2.2 Tax Matters with Respect to Designated Units.**

(a) *Capital Account with Respect to Designated Units.* Subject to Section 2.2(c) of this Agreement, immediately prior to the transfer of a Designated Unit by the EPD Unitholder (other than a transfer to an Affiliate unless the General Partner elects to have this Section 2.2 apply), the Capital Account maintained for such Person with respect to its Designated Units will (A) *first*, be allocated to the Designated Units to be transferred in an amount equal to the product of (x) the number of such Designated Units to be transferred and (y) the Per Unit Capital Amount for a Common Unit that is also not a Designated Unit, and (B) *second*, any remaining balance in such Capital Account will be retained by the transferor, regardless of whether it has retained any Designated Units. Following any such allocation, the transferor's Capital Account, if any, maintained with respect to the retained Designated Units, if any, will have a balance equal to the amount allocated under clause (B) hereinabove, and the transferee's Capital Account established with respect to the transferred Designated Units will have a balance equal to the amount allocated under clause (A) hereinabove.

(b) *Allocations.* Except as otherwise provided in this Agreement, all items of Partnership income, gain, loss, deduction and credit, including Unrealized Gain or Unrealized Loss to be allocated to the Partners pursuant to the Partnership Agreement, shall be allocated to the Designated Units to the same extent as such items would be allocated if such Designated Units were Common Units then Outstanding that were not also Designated Units. For the avoidance of doubt, Section 6.1(c)(iii) of the Partnership Agreement shall apply to Designated Units held by the EPD Unitholder and, for the purposes of that provision, the holders of Common Units of the Partnership that are not also Designated Units shall be treated as receiving distributions of cash that are greater than the amounts of cash distributed to the EPD Unitholder (on a per Unit basis) as a result of the distributions waived by the EPD Unitholder pursuant to Section 2.1 of this Agreement.

(c) *Special Provisions Relating to the Designated Units.* The EPD Unitholder shall not be permitted to Transfer a Designated Unit other than as set forth in Section 5.1(a) until such time as the General Partner determines, based on advice of counsel, that the Designated Unit should have, as a substantive matter, like intrinsic economic and federal income tax characteristics of an Initial Common Unit. In connection with the condition imposed by this Section 2.2(c), the General Partner shall take whatever steps are required to provide economic uniformity to the Designated Units in preparation for a Transfer of such Common Units, including the application of Sections 2.2(a) and 2.2(b) of this Agreement; *provided, however*, that no such steps may be taken that would have a material adverse effect on the other Unitholders of the Partnership holding Common Units.

ARTICLE 3

PERFORMANCE GUARANTEE BY EPCO HOLDINGS

EPCO Holdings hereby agrees that in the event any Designated Units (including, in any case, any EPD Units previously designated as Designated Units by EPCO Holdings or any of its subsidiaries pursuant to Article 3) are Transferred in violation of Section 5.1(a) or foreclosed or sold in connection with a bona fide loan pursuant to Section 5.1(a) (in each case as applied to the EPD Unitholder or to EPCO Holdings or any of its subsidiaries pursuant to this Article 3) (such Designated Units so Transferred, foreclosed or sold, the "**Specified Units**"), and the EPD Unitholder does not immediately designate other EPD Units owned by it to be Designated Units hereunder, EPCO Holdings shall immediately designate as Designated Units hereunder a number of EPD Units owned by it, equal to the number of Specified Units, and shall agree (or cause its subsidiary to agree, as applicable) to become bound to the terms of this Agreement with respect to such Designated Units to the same extent as the EPD Unitholder. To the extent that EPCO Holdings and its subsidiaries do not own a sufficient number of EPD Units that are not Designated Units at such time upon such event to comply with the prior sentence, EPCO Holdings agrees to acquire or cause a subsidiary of EPCO Holdings to acquire a sufficient number of additional EPD Units to so comply and to designate such EPD Units as Designated Units in accordance with this Agreement. The foregoing shall not relieve the EPD Unitholder from any of its obligations under this Agreement or any liabilities to the Partnership for any damages or losses suffered by the Partnership as a result of the EPD Unitholder's breach of this Agreement.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES

**4.1 Representations and Warranties of the EPD Unitholder and EPCO Holdings.** The EPD Unitholder and EPCO Holdings (except to the extent otherwise provided herein) each hereby represents and warrants to the Partnership as follows:

(a) **Organization; Authorization; Validity of Agreement; Necessary Action.** EPD Unitholder and EPCO Holdings each has the requisite power and authority and/or capacity to execute and deliver this Agreement, to carry out his or its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery by the EPD Unitholder and EPCO Holdings of this Agreement, the performance by it of the obligations hereunder and the consummation of the transactions contemplated hereby have been duly and validly authorized by EPD Unitholder and EPCO Holdings and no other actions or proceedings on the part of EPD Unitholder or EPCO Holdings to authorize the execution and delivery of this Agreement, the performance by EPD Unitholder or EPCO Holdings of the obligations hereunder or the consummation of the transactions contemplated hereby are required. This Agreement has been duly executed and delivered by EPD Unitholder and EPCO Holdings and, assuming the due authorization, execution and delivery

of this Agreement by the Partnership, constitutes a legal, valid and binding agreement of EPD Unitholder and EPCO Holdings, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equitable principles.

(b) **Ownership.** EPD Unitholder legally owns the EPD Units to be designated as Designated Units, and each Designated Unit owned by EPD Unitholder from the date hereof through and on the date this Agreement is terminated pursuant to Section 6.1 will be legally owned by EPD Unitholder.

(c) **No Violation.** Neither the execution and delivery of this Agreement by EPD Unitholder or EPCO Holdings nor the performance by EPD Unitholder or EPCO Holdings of its obligations under this Agreement will (A) result in a violation or breach of or conflict with any provisions of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination, cancellation of, or give rise to a right of purchase under, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any Lien upon any of the properties, rights or assets, including but not limited to the EPD Units to be designated as Designated Units, owned by EPD Unitholder or EPCO Holdings or any of its subsidiaries, or result in being declared void, voidable, or without further binding effect, or otherwise result in a detriment to EPD Unitholder, EPCO Holdings or any of its subsidiaries under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust, license, contract, lease, agreement or other instrument or obligation of any kind to which EPD Unitholder, EPCO Holdings or any of its subsidiaries is a party or by which EPD Unitholder or EPCO Holdings or any of its subsidiaries or any of their respective properties, rights or assets may be bound, (B) violate any judgments, decrees, injunctions, rulings, awards, settlements, stipulations or orders (collectively, "**Orders**") or laws applicable to EPD Unitholder, EPCO Holdings or any of its subsidiaries or any of their respective properties, rights or assets or, (C) result in a violation or breach of or conflict with its organizational and governing documents of it or any of its subsidiaries.

(d) **Consents and Approvals.** No consent, approval, Order or authorization of, or registration, declaration or filing with, any governmental authority is necessary to be obtained or made by EPD Unitholder or EPCO Holdings in connection with EPD Unitholder's or EPCO Holdings' execution, delivery and performance of this Agreement or the consummation by EPD Unitholder or EPCO Holdings of the transactions contemplated hereby, except for any reports under Sections 13(d) and 16 of the Exchange Act as may be required in connection with this Agreement and the transactions contemplated hereby.

(e) **Reliance by the Partnership.** The EPD Unitholder and EPCO Holdings each understands and acknowledges that the Partnership is entering into the Merger Agreement in reliance upon EPD Unitholder's and EPCO Holdings' execution and delivery of this Agreement and the representations, warranties, covenants and obligations of each of EPD Unitholder and EPCO Holdings contained herein.

4.2 **Representations and Warranties of the Partnership.** The Partnership hereby represents and warrants to the EPD Unitholder and EPCO Holdings that the execution and delivery of this Agreement by the Partnership and the consummation of the transactions contemplated hereby have been duly authorized by all necessary action on the part of Enterprise Products GP, LLC, the general partner of the Partnership.

## ARTICLE 5

### OTHER COVENANTS

#### 5.1 **Prohibition on Transfers; Other Actions.**

(a) Within any period during which EPD waives Distributions with respect to a Designated Unit pursuant to Section 2.1, the EPD Unitholder hereby agrees not to (i) Transfer any Designated Unit, beneficial ownership thereof or any other interest therein; (ii) enter into any agreement, arrangement or understanding, or take any other action, that violates or conflicts with or would reasonably be expected to violate or conflict with, or result in or give rise to a violation of or conflict with, EPD Unitholder's representations, warranties, covenants and obligations under this Agreement; or (iii) take any action that could restrict or otherwise affect EPD Unitholder's legal power, authority and right to comply with and perform his or its covenants and obligations under this Agreement; *provided*, the foregoing shall not include or prohibit Transfers resulting from the foreclosure or sale of Designated Units made by a lender pursuant to any pledges or security interests relating to existing or future bona fide loans to EPD Unitholder that do not affect EPD Unitholder's legal power, authority and right to comply with and perform his or its covenants and obligations under this Agreement. Any Transfer in violation of this provision shall be null and void.

(b) In the event of any Transfer resulting from the foreclosure or sale of Designated Units made by a lender pursuant to any bona fide loans to EPD Unitholder, EPD Unitholder hereby agrees to designate immediately an equal number of EPD Units to constitute the Designated Units required to be owned by it hereunder. To the extent EPD Unitholder does not own a sufficient number of EPD Units that are not Designated Units, to comply with its obligations under the prior sentence, at such time upon such event, EPD Unitholder agrees to acquire a sufficient number of additional EPD Units to so comply as promptly as practicable, and to designate such EPD Units as Designated Units in accordance with this Agreement.

5.2 **Further Assurances.** From time to time, at the other party's request and without further consideration, the parties hereto shall execute and deliver such additional documents and take all such further action as may be reasonably necessary or advisable to effect the actions and consummate the transactions contemplated by this Agreement.

5.3 **Set Off.** In the event that EPD Unitholder or EPCO Holdings fails to own and to designate or cause to be designated EPD Units as Designated Units in accordance with this Agreement, the Partnership shall be entitled to designate and to withhold distributions paid with respect to any other EPD Units owned by the EPD Unitholder or EPCO Holdings up to an amount equal to the distributions payable with respect to the number of EPD Units required to be



designated as Designated Units in accordance with this Agreement. The foregoing in this Section 5.3 shall be in addition to any other remedies available to the Partnership and shall not limit the Partnership's remedies for any other damages or losses incurred by it in connection with such breach by the EPD Unitholder or EPCO Holdings.

## ARTICLE 6

### MISCELLANEOUS

**6.1 Termination.** This Agreement shall remain in effect until the earliest to occur of (i) January 1, 2016 and (ii) the written agreement of the EPCO Holdings, EPD Unitholder and the Partnership to terminate this Agreement. After the occurrence of such applicable event, all rights and obligations of the parties hereto under this Agreement shall terminate and be of no further force or effect, except the provisions of Section 2.2 shall survive such termination until satisfaction of the conditions imposed by Section 2.2(c) with respect to each Designated Unit. Nothing in this Section 6.1 and no termination of this Agreement shall relieve or otherwise limit any party of liability for any breach of this Agreement occurring prior to such termination.

**6.2 No Ownership Interest.**

(a) Nothing contained in this Agreement shall be deemed to vest in the Partnership any direct or indirect ownership or incidence of ownership of or with respect to any Designated Unit. All rights, ownership and economic benefit relating to the Designated Units shall remain vested in and belong to the EPD Unitholder, and the Partnership shall have no authority to direct the EPD Unitholder in the voting or disposition of any of the Designated Units, except as otherwise provided herein.

**6.3 Notices.** All notices and other communications hereunder shall be in writing and shall be deemed given when delivered personally or by teletype (upon telephonic confirmation of receipt) or on the first Business Day following the date of dispatch if delivered by a recognized next day courier service. All notices hereunder shall be delivered as set forth below or pursuant to such other instructions as may be designated in writing by the party to receive such notice:

If to the Partnership, to:

Enterprise Products Partners L.P.  
1100 Louisiana, 10th Floor  
Houston, Texas 77002  
Attention: President and Chief Executive Officer

With copies to:

Andrews Kurth LLP  
600 Travis, Suite 4200  
Houston, Texas 77002  
Attention: David C. Buck

If to the EPD Unitholder or EPCO Holdings, to:

1100 Louisiana, 10th Floor  
Houston, Texas 77002  
Attention: President and Chief Executive Officer

With copies to:

Enterprise Products Company  
1100 Louisiana, 10th Floor  
Houston, Texas 77002  
Attention: Chief Legal Officer

**6.4 Interpretation.** The words “hereof,” “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section references are to this Agreement unless otherwise specified. Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.” The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. This Agreement is the product of negotiation by the parties having the assistance of counsel and other advisers. It is the intention of the parties that this Agreement not be construed more strictly with regard to one party than with regard to the others.

**6.5 Counterparts.** This Agreement may be executed by facsimile and in counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

**6.6 Entire Agreement.** This Agreement and the Partnership Agreement embody the complete agreement and understanding among the parties hereto with respect to the subject matter hereof and supersede and preempt any prior understandings, agreements or representations by or among the parties, written and oral, that may have related to the subject matter hereof in any way.

**6.7 Governing Law; Consent to Jurisdiction; Waiver of Jury Trial.**

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof.

(b) Each of the parties hereto (i) consents to submit itself to the personal jurisdiction of the Court of Chancery of the State of Delaware (and any appellate court of the State of Delaware) and the Federal courts of the United States of America located in the State of Delaware in the event any dispute arises out of this Agreement or the transactions contemplated by this Agreement, (ii) agrees that it will not attempt to deny or defeat such

personal jurisdiction by motion or other request for leave from any such court and (iii) agrees that it will not bring any action relating to this Agreement or the transactions contemplated by this Agreement in any court other than the Court of Chancery of the State of Delaware or a Federal court of the United States of America located in the State of Delaware. Without limiting the foregoing, each party agrees that service of process on such party as provided in Section 6.3 shall be deemed effective service of process on such party.

(c) EACH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT AND ANY OF THE AGREEMENTS DELIVERED IN CONNECTION HERewith OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE EITHER OF SUCH WAIVERS, (B) IT UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF SUCH WAIVERS, (C) IT MAKES SUCH WAIVERS VOLUNTARILY, AND (D) IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 6.7.

**6.8 Amendment; Waiver.** This Agreement may not be amended except by an instrument in writing signed by the Partnership, the EPD Unitholder and EPCO Holdings. Each party may waive any right of such party hereunder by an instrument in writing signed by such party and delivered to the Partnership, the EPD Unitholder and EPCO Holdings.

**6.9 Remedies.**

(a) Each party hereto acknowledges that monetary damages would not be an adequate remedy in the event that any covenant or agreement in this Agreement is not performed in accordance with its terms, and it is therefore agreed that, in addition to and without limiting any other remedy or right it may have, the non-breaching party will have the right to an injunction, temporary restraining order or other equitable relief in any court of competent jurisdiction enjoining any such breach and enforcing specifically the terms and provisions hereof. Each party hereto agrees not to oppose the granting of such relief in the event a court determines that such a breach has occurred, and to waive any requirement for the securing or posting of any bond in connection with such remedy.

(b) All rights, powers and remedies provided under this Agreement or otherwise available in respect hereof at law or in equity shall be cumulative and not alternative, and the exercise or beginning of the exercise of any thereof by any party shall not preclude the simultaneous or later exercise of any other such right, power or remedy by such party.

**6.10 Severability.** Any term or provision of this Agreement which is determined by a court of competent jurisdiction to be invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering

invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction, and if any provision of this Agreement is determined to be so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable, in all cases so long as neither the economic nor legal substance of the transactions contemplated hereby is affected in any manner adverse to any party or its equityholders. Upon any such determination, the parties shall negotiate in good faith in an effort to agree upon a suitable and equitable substitute provision to effect the original intent of the parties as closely as possible and to the end that the transactions contemplated hereby shall be fulfilled to the maximum extent possible.

**6.11 Action by the Partnership.** No waiver, consent or other action by or on behalf of the Partnership pursuant to or as contemplated by this Agreement shall have any effect unless such waiver, consent or other action is expressly approved by the Audit, Conflicts and Governance Committee of the General Partner's board of directors.

**6.12 Successors and Assigns; Third Party Beneficiaries.** Neither this Agreement nor any of the rights or obligations of any party under this Agreement shall be assigned, in whole or in part (by operation of law or otherwise), by any party without the prior written consent of the other parties hereto. Subject to the foregoing, this Agreement shall bind and inure to the benefit of and be enforceable by the parties hereto and their respective successors and permitted assigns. Nothing in this Agreement, express or implied, is intended to confer on any Person other than the parties hereto or the parties' respective successors and permitted assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement.

[Remainder of this page intentionally left blank]

In WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed (where applicable, by their respective officers or other authorized Person thereunto duly authorized) as of the date first written above.

**Partnership:**

**ENTERPRISE PRODUCTS PARTNERS L.P.**

By: ENTERPRISE PRODUCTS GP, LLC,  
its general partner

By: /s/ Michael A. Creel  
Name: Michael A. Creel  
Title: President and Chief Executive Officer

*Signature Page to Distribution Waiver Agreement*

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**EPD Unitholder:**

**DFI DELAWARE HOLDINGS, L.P.**

By: DFI DELAWARE GENERAL, LLC,  
its general partner

By: /s/ Darryl E. Smith  
Name: Darryl E. Smith  
Title: Manager

**EPCO Holdings:**

**EPCO HOLDINGS, INC.**

By: /s/ W. Randall Fowler  
Name: W. Randall Fowler  
Title: President and Chief Executive Officer

*Signature Page to Distribution Waiver Agreement*

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**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in (i) Registration Statement Nos. 333-36856, 333-82486, 333-115633, 333-115634, 333-150680, and 333-162666 of Enterprise Products Partners L.P. on Form S-8; (ii) Registration Statement No. 333-168049 of Enterprise Products Partners L.P. and Enterprise Products Operating LLC on Form S-3; and (iii) Registration Statement No. 333-165450 of Enterprise Products Partners L.P. on Form S-3, of our report dated March 1, 2010, related to the consolidated financial statements of Enterprise GP Holdings L.P. and subsidiaries (which report expresses an unqualified opinion and includes an explanatory paragraph concerning the retroactive effects of the common control acquisition of TEPPCO Partners, L.P. and Texas Eastern Products Pipeline Company, LLC by Enterprise Products Partners L.P. on October 26, 2009 and the related change in the composition of reportable segments as a result of these acquisitions) included in this Current Report on Form 8-K of Enterprise Products Partners L.P. dated November 22, 2010.

\s Deloitte & Touche LLP

Houston, Texas  
November 22, 2010

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We have issued our report dated February 24, 2010, with respect to the consolidated financial statements of Energy Transfer Equity, L.P. and subsidiaries as of December 31, 2009 and 2008 and for each of the two years in the period ended December 31, 2009, the four months ended December 31, 2007, and the year ended August 31, 2007, included in this Current Report of Enterprise Products Partners L.P. on Form 8-K. We hereby consent to the incorporation by reference of said report in the Registration Statements of Enterprise Products Partners L.P. on Form S-3 (File No. 333-165450) and on Forms S-8 (File No. 333-36856, 333-82486, 333-115633, 333-115634, 333-150680, and 333-162666) and in the Registration Statement of Enterprise Products Partners L.P. and Enterprise Products Operating LLC on Form S-3 (File No. 333-168049).

/s/ GRANT THORNTON LLP

Tulsa, Oklahoma  
November 22, 2010



**ENTERPRISE GP HOLDINGS UNITHOLDERS APPROVE MERGER WITH ENTERPRISE PRODUCTS PARTNERS**

**Houston, Texas (Monday, November 22, 2010)** – Enterprise GP Holdings L.P. (NYSE: EPE) (“EPE”) and Enterprise Products Partners L.P. (NYSE: EPD) (“EPD”) today announced that the EPE unitholders have approved the merger of EPE with a subsidiary of EPD. Over 99 percent of the EPE units that voted were cast in favor of the merger, representing approximately 85 percent of EPE’s total outstanding units as of the record date.

The partnerships expect the merger to be completed later today on November 22, 2010, resulting in EPE unitholders being entitled to receive 1.50 EPD common units for each EPE unit they own. Cash will be paid to EPE unitholders in accordance with the merger agreement in lieu of any fractional units they otherwise would have been entitled to receive. As a result of the merger completion, units of EPE will cease trading at the close of today’s business. EPD common units will continue to be traded on the New York Stock Exchange under the ticker “EPD.”

Enterprise Products Partners L.P. is the largest publicly traded partnership and a leading North American provider of midstream energy services to producers and consumers of natural gas, NGLs, crude oil, refined products and petrochemicals. EPD’s assets include: 49,100 miles of onshore and offshore pipelines; approximately 200 million barrels of storage capacity for NGLs, refined products and crude oil; and 27 billion cubic feet of natural gas storage capacity. Services include: natural gas transportation, gathering, processing and storage; NGL fractionation, transportation, storage, and import and export terminaling; crude oil and refined products storage, transportation and terminaling; offshore production platform; petrochemical transportation and storage; and a marine transportation business that operates primarily on the United States inland and Intracoastal Waterway systems and in the Gulf of Mexico. For additional information, visit [www.epplp.com](http://www.epplp.com).

*This press release includes “forward-looking statements” as defined by the Securities and Exchange Commission. All statements, other than statements of historical fact, included herein that address activities, events, developments or transactions that EPD expects, believes or anticipates will or may occur in the future, including anticipated benefits and other aspects of such activities, events, developments or transactions, are forward-looking statements. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially, including required approvals by regulatory agencies, the possibility that the anticipated benefits from such activities, events, developments or transactions cannot be fully realized, the possibility that costs or difficulties related thereto will be greater than expected, the*

*impact of competition and other risk factors included in the reports filed with the Securities and Exchange Commission by EPD. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. Except as required by law, EPD does not intend to update or revise its forward-looking statements, whether as a result of new information, future events or otherwise.*

*Contacts: Randy Burkhalter, Investor Relations (713) 381-6812 or (866) 230-0745  
Rick Rainey, Media Relations (713) 381-3635*

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**Risk Factors.**

An investment in our common units involves certain risks. If any of these risks were to occur, our business, financial position, results of operations and cash flows could be materially adversely affected. In that case, the trading price of our common units could decline and you could lose part or all of your investment.

The following section lists the key current risk factors as of the date of this filing that may have a direct and material impact on our business, financial position, results of operations and cash flows.

**Risks Relating to Our Business**

*Our operating cash flow is derived primarily from cash distributions we receive from EPO (including cash flow from Energy Transfer Equity).*

Our operating cash flow is derived primarily from cash distributions we receive from EPO (including cash flow Energy Transfer Equity). As discussed further below, the amount of cash that EPO and Energy Transfer Equity can distribute each quarter principally depends upon the amount of cash flow it generates from its operations, which will fluctuate from quarter to quarter based on, among other things, the:

- volume of hydrocarbon products transported in its gathering and transmission pipelines;
- throughput volumes in its processing and treating operations;
- fees it charges and the margins it realizes for its various storage, terminaling, processing and transportation services;
- price of natural gas, crude oil and NGLs;
- relationships among natural gas, crude oil and NGL prices, including differentials between regional markets;
- fluctuations in its working capital needs;
- level of its operating costs, including reimbursements to its general partner;
- prevailing economic conditions; and
- level of competition in its business segments and market areas.

In addition, the actual amount of cash EPO and Energy Transfer Equity will have available for distribution will depend on other factors, including:

- the level of sustaining capital expenditures incurred;
- its cash outlays for capital projects and acquisitions;
- its debt service requirements and restrictions contained in its obligations for borrowed money; and
- the amount of cash reserves required by us and LE GP for the normal conduct of EPO's and Energy Transfer Equity's businesses, respectively.

We do not have any direct or indirect control over the cash distribution policies of Energy Transfer Equity or its general partner, LE GP.

Because of these factors, we and Energy Transfer Equity may not have sufficient available cash each quarter to continue paying distributions at our and their current levels. Furthermore, the amount of cash that each of us and Energy Transfer Equity has available for cash distribution depends primarily upon our and its cash flow, including cash flow from financial reserves and working capital borrowings, and is not solely a function of profitability, which will be affected by non-cash items such as depreciation, amortization and provisions for asset impairments. As a result, each of Energy Transfer Equity and us may be able to make cash distributions during periods when we respectively record losses and may not be able to make cash distributions during periods when we respectively record net income.

See below for a discussion of further risks affecting our ability to generate distributable cash flow. These risks also generally apply to Energy Transfer Equity as they operate in our industry.

***Changes in demand for and production of hydrocarbon products may materially adversely affect our financial position, results of operations and cash flows.***

We operate predominantly in the midstream energy sector which includes gathering, transporting, processing, fractionating and storing natural gas, NGLs, crude oil and refined products. As such, our financial position, results of operations and cash flows may be materially adversely affected by changes in the prices of hydrocarbon products and by changes in the relative price levels among hydrocarbon products. Changes in prices may impact demand for hydrocarbon products, which in turn may impact production, demand and volumes of product for which we provide services. We may also incur credit and price risk to the extent counterparties do not perform in connection with our marketing of natural gas, NGLs, propylene, refined products and/or crude oil.

Historically, the price of natural gas has been extremely volatile, and we expect this volatility to continue. The New York Mercantile Exchange ("NYMEX") daily settlement price for natural gas for the prompt month contract in 2008 ranged from a high of \$13.58 per MMBtu to a low of \$5.29 per MMBtu. In 2009, the same index ranged from a high of \$6.07 per MMBtu to a low of \$2.51 per MMBtu. From January 1, 2010 through September 30, 2010, the same index ranged from a high of \$6.01 per MMBtu to a low of \$3.65 per MMBtu.

Generally, the prices of hydrocarbon products are subject to fluctuations in response to changes in supply, demand, market uncertainty and a variety of additional uncontrollable factors. Some of these factors include:

- the level of domestic production and consumer product demand;
- the availability of imported oil and natural gas and actions taken by foreign oil and natural gas producing nations;
- the availability of transportation systems with adequate capacity;
- the availability of competitive fuels;
- fluctuating and seasonal demand for oil, natural gas and NGLs;
- the impact of conservation efforts;
- the extent of governmental regulation and taxation of production; and
- the overall economic environment.

We are exposed to natural gas and NGL commodity price risk under certain of our natural gas processing and gathering and NGL fractionation contracts that provide for our fees to be calculated based on a regional natural gas or NGL price index or to be paid in-kind by taking title to natural gas or NGLs. A decrease in natural gas and NGL prices can result in lower margins from these contracts, which may materially adversely affect our financial position, results of operations and cash flows. Volatility in commodity prices may also have an impact on many of our customers, which in turn could have a negative impact on their ability to meet their obligations to us.

With respect to our Petrochemical & Refined Products Services segment, market demand and our revenues from these businesses can also be adversely affected by different end uses of the products we transport, market or store. For example:

- demand for gasoline depends upon market price, prevailing economic conditions, demographic changes in the markets we serve and availability of gasoline produced in refineries located in these markets;
- demand for distillates is affected by truck and railroad freight, the price of natural gas used by utilities that use distillates as a substitute and usage for agricultural operations;
- demand for jet fuel depends on prevailing economic conditions and military usage; and

· propane deliveries are generally sensitive to the weather and meaningful year-to-year variances have occurred and will likely continue to occur.

***A decline in the volume of natural gas, NGLs and crude oil delivered to our facilities could adversely affect our financial position, results of operations and cash flows.***

Our profitability could be materially impacted by a decline in the volume of natural gas, NGLs and crude oil transported, gathered or processed at our facilities. A material decrease in natural gas or crude oil production or crude oil refining, as a result of depressed commodity prices, a decrease in domestic and international exploration and development activities or otherwise, could result in a decline in the volume of natural gas, NGLs and crude oil handled by our facilities and other energy logistic assets.

The crude oil, natural gas and NGLs currently transported, gathered or processed at our facilities originate from existing domestic and international resource basins, which naturally deplete over time. To offset this natural decline, our facilities will need access to production from newly discovered properties. Many economic and business factors are beyond our control and can adversely affect the decision by producers to explore for and develop new reserves. These factors could include relatively low oil and natural gas prices, cost and availability of equipment and labor, regulatory changes, capital budget limitations, the lack of available capital or the probability of success in finding hydrocarbons. A decrease in exploration and development activities in the regions where our facilities and other energy logistic assets are located could result in a decrease in volumes to our offshore platforms, natural gas processing plants, natural gas, crude oil and NGL pipelines, and NGL fractionators, which would have a material adverse effect on our financial position, results of operations and cash flows.

In addition, imported liquefied natural gas ("LNG") may become a significant component of future natural gas supply to the United States. Much of this increase in LNG supplies may be imported through new LNG facilities that have currently been developed or new LNG facilities that have been announced to be developed over the next decade. We cannot predict which, if any, of these announced, but as yet unbuilt, projects will be constructed. In addition, anticipated increases in future natural gas supplies may not be made available to our facilities and pipelines if (i) a significant number of these new projects fail to be developed with their announced capacity, (ii) there are significant delays in such development, (iii) they are built in locations where they are not connected to our assets or (iv) they do not influence sources of supply on our systems. If the expected increase in natural gas supply through imported LNG is not realized, projected natural gas throughput on our pipelines would decline, which could have a material adverse effect on our financial position, results of operations and cash flows.

***A decrease in demand for NGL products by the petrochemical, refining or heating industries could materially adversely affect our financial position, results of operations and cash flows.***

A decrease in demand for NGL products by the petrochemical, refining or heating industries could materially adversely affect our financial position, results of operations and cash flows. Decreases in such demand may be caused by general economic conditions, reduced demand by consumers for the end products made with NGL products, increased competition from petroleum-based products due to pricing differences, adverse weather conditions, government regulations affecting prices and production levels of natural gas or the content of motor gasoline or other reasons. For example:

***Ethane.*** Ethane is primarily used in the petrochemical industry as feedstock for ethylene, one of the basic building blocks for a wide range of plastics and other chemical products. If natural gas prices increase significantly in relation to NGL product prices or if the demand for ethylene falls (and, therefore, the demand for ethane by NGL producers falls), it may be more profitable for natural gas producers to leave the ethane in the natural gas stream to be burned as fuel than to extract the ethane from the mixed NGL stream for sale as an ethylene feedstock.

***Propane.*** The demand for propane as a heating fuel is significantly affected by weather conditions. Unusually warm winters could cause the demand for propane to decline significantly and could cause a significant decline in the volumes of propane that we transport.

**Isobutane.** A reduction in demand for motor gasoline additives may reduce demand for isobutane. During periods in which the difference in market prices between isobutane and normal butane is low or inventory values are high relative to current prices for normal butane or isobutane, our operating margin from selling isobutane could be reduced.

**Propylene.** Propylene is sold to petrochemical companies for a variety of uses, principally for the production of polypropylene. Propylene is subject to rapid and material price fluctuations. Any downturn in the domestic or international economy could cause reduced demand for, and an oversupply of propylene, which could cause a reduction in the volumes of propylene that we transport.

***We face competition from third parties in our midstream businesses.***

Even if crude oil and natural gas reserves exist in the areas accessed by our facilities and are ultimately produced, we may not be chosen by the producers in these areas to gather, transport, process, fractionate, store or otherwise handle the hydrocarbons that are produced. We compete with others, including producers of oil and natural gas, for any such production on the basis of many factors, including but not limited to geographic proximity to the production, costs of connection, available capacity, rates and access to markets.

Our refined products, NGL and marine transportation businesses compete with other pipelines and marine transportation companies in the areas they serve. We also compete with trucks and railroads in some of the areas we serve. Substantial new construction of inland marine vessels could create an oversupply and intensify competition for our marine transportation business. Competitive pressures may adversely affect our tariff rates or volumes shipped.

The crude oil gathering and marketing business can be characterized by thin operating margins and intense competition for supplies of crude oil at the wellhead. A decline in domestic crude oil production has intensified competition among gatherers and marketers. Our crude oil transportation business competes with common carriers and proprietary pipelines owned and operated by major oil companies, large independent pipeline companies, financial institutions with trading platforms and other companies in the areas where such pipeline systems deliver crude oil and NGLs.

In our natural gas gathering business, we encounter competition in obtaining contracts to gather natural gas supplies, particularly new supplies. Competition in natural gas gathering is based in large part on reputation, efficiency, system reliability, gathering system capacity and price arrangements. Our key competitors in the gas gathering segment include independent gas gatherers and major integrated energy companies. Alternate gathering facilities are available to producers we serve, and those producers may also elect to construct proprietary gas gathering systems. If production delivered to our gathering system declines, our revenues from such operations will decline.

***Our debt level may limit our future financial and operating flexibility.***

As of December 31, 2009, we had approximately \$10.85 billion principal amount of consolidated senior long-term debt outstanding and approximately \$1.53 billion principal amount of junior subordinated debt outstanding. This amount includes (i) \$1.1 billion of debt we incurred in the Holdings merger through the refinancing of Holdings' revolving credit facility and term loans with additional borrowings under EPO's revolving credit facility, (ii) \$1.95 billion of new EPO notes issued in connection with the TEPPCO merger (exchanged for TEPPCO's previously tendered notes) and (iii) \$457.3 million outstanding under Duncan Energy Partners' revolving credit facility and term loan. In addition, at September 30, 2010, we had approximately \$13.7 billion principal amount of consolidated debt, which includes the \$1.1 billion of debt we incurred in the Holdings merger. The amount of our future debt could have significant effects on our operations, including, among other things:

- a substantial portion of our cash flow, including that of Duncan Energy Partners, could be dedicated to the payment of principal and interest on our future debt and may not be available for other purposes, including the payment of distributions on our common units and capital expenditures;
- credit rating agencies may view our consolidated debt level negatively;

- covenants contained in our existing and future credit and debt arrangements will require us to continue to meet financial tests that may adversely affect our flexibility in planning for and reacting to changes in our business, including possible acquisition opportunities;
- our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired or such financing may not be available on favorable terms;
- we may be at a competitive disadvantage relative to similar companies that have less debt; and
- we may be more vulnerable to adverse economic and industry conditions as a result of our significant debt level.

Our public debt indentures currently do not limit the amount of future indebtedness that we can create, incur, assume or guarantee. Although our credit agreements restrict our ability to incur additional debt above certain levels, any debt we may incur in compliance with these restrictions may still be substantial. For information regarding our credit facilities, see Note 12 of the Notes to Consolidated Financial Statements included in our annual report on Form 10-K for the year ended December 31, 2009 as originally filed on March 1, 2010 and our unaudited pro forma condensed consolidated financial statements included under Exhibit 99.1 of our current report on Form 8-K filed on November 9, 2010.

Our credit agreements and each of our indentures for our public debt contain conventional financial covenants and other restrictions. For example, we are prohibited from making distributions to our partners if such distributions would cause an event of default or otherwise violate a covenant under our credit agreements. A breach of any of these restrictions by us could permit our lenders or noteholders, as applicable, to declare all amounts outstanding under these debt agreements to be immediately due and payable and, in the case of our credit agreements, to terminate all commitments to extend further credit.

Our ability to access capital markets to raise capital on favorable terms could be affected by our debt level, the amount of our debt maturing in the next several years and current maturities, and by prevailing market conditions. Moreover, if the rating agencies were to downgrade our credit ratings, then we could experience an increase in our borrowing costs, difficulty accessing capital markets and/or a reduction in the market price of our common units. Such a development could adversely affect our ability to obtain financing for working capital, capital expenditures or acquisitions or to refinance existing indebtedness. If we are unable to access the capital markets on favorable terms in the future, we might be forced to seek extensions for some of our short-term securities or to refinance some of our debt obligations through bank credit, as opposed to long-term public debt securities or equity securities. The price and terms upon which we might receive such extensions or additional bank credit, if at all, could be more onerous than those contained in existing debt agreements. Any such arrangements could, in turn, increase the risk that our leverage may adversely affect our future financial and operating flexibility and thereby impact our ability to pay cash distributions at expected levels.

***We may not be able to fully execute our growth strategy if we encounter illiquid capital markets or increased competition for investment opportunities.***

Our growth strategy contemplates the development and acquisition of a wide range of midstream and other energy infrastructure assets while maintaining a strong balance sheet. This strategy includes constructing and acquiring additional assets and businesses to enhance our ability to compete effectively and diversifying our asset portfolio, thereby providing more stable cash flow. We regularly consider and pursue potential joint ventures, standalone projects or other transactions that we believe may present opportunities to realize synergies, expand our role in the energy infrastructure business and increase our market position.

We will require substantial new capital to finance the future development and acquisition of assets and businesses. Any limitations on our access to capital may impair our ability to execute this growth strategy. If our cost of debt or equity capital becomes too expensive, our ability to develop or acquire accretive assets will be limited. We also may not be able to raise necessary funds on satisfactory terms, if at all.

Tightening of the credit markets in the future may have a material adverse effect on us by, among other things, decreasing our ability to finance expansion projects or business acquisitions on favorable terms and by the



imposition of increasingly restrictive borrowing covenants. In addition, the distribution yields of new equity issued may be at a higher yield than our historical levels, making additional equity issuances more expensive.

We also compete for the types of assets and businesses we have historically purchased or acquired. Increased competition for a limited pool of assets could result in our losing to other bidders more often or acquiring assets at less attractive prices. Either occurrence would limit our ability to fully execute our growth strategy. Our inability to execute our growth strategy may materially adversely affect our ability to maintain or pay higher distributions in the future.

***Our variable-rate debt and future maturities of fixed-rate, long-term debt make us vulnerable to increases in interest rates, which could materially adversely affect our business, financial position, results of operation and cash flows.***

As of December 31, 2009, we had outstanding \$12.4 billion principal amount of consolidated debt, which includes \$1.1 billion of debt we incurred in the Holdings merger through the refinancing of Holdings' revolving credit facility and term loans with additional borrowings under EPO's revolving credit facility. Of this amount, approximately \$2.2 billion, or 17.5%, was subject to variable interest rates, either as long-term variable-rate debt obligations or as long-term fixed-rate debt converted to variable rates through the use of interest rate swaps. We have \$54.0 million of 8.70% fixed-rate debt that matured on March 1, 2010, and \$500.0 million of 4.95% fixed-rate senior notes that matured in June 2010. In 2011, 2012 and 2013, we have \$450.0 million, \$1.0 billion and \$1.2 billion, respectively, of senior notes maturing. In addition, our \$1.75 billion revolving credit facility matures in 2012 and Duncan Energy Partners' revolving credit facility and term loan totaling \$582.3 million mature in 2011.

As of September 30, 2010, we had outstanding \$13.7 billion principal amount of consolidated debt, which includes \$1.1 billion of debt we incurred in the Holdings merger. Of this amount, approximately \$1.7 billion, or 12.1%, was subject to variable interest rates, either as short-term or long-term variable rate debt obligations or as long-term fixed-rate debt converted to variable rates through the use of interest rate swaps.

The rate on our June 2009 issuance of \$500.0 million of Senior Notes due August 2012 was 4.6%. The rate on our September 2009 issuance of \$500.0 million of Senior Notes due 2020 was 5.25%, and the rate on our September 2009 issuance of \$600.0 million of Senior Notes due 2039 was 6.125%. The rate on our May 2010 issuance of \$400.0 million of Senior Notes due 2015 was 3.70%, the rate on our May 2010 issuance of \$1,100.0 million of Senior Notes due 2020 was 5.20%, and the rate on our May 2010 issuance of \$600.0 million of Senior Notes due 2040 was 6.45%. Should interest rates increase significantly, the amount of cash required to service our debt would increase. As a result, our financial position, results of operations and cash flows, could be materially adversely affected.

From time to time, we may enter into additional interest rate swap arrangements, which could increase our exposure to variable interest rates. As a result, our financial position, results of operations and cash flows could be materially adversely affected by significant increases in interest rates.

An increase in interest rates may also cause a corresponding decline in demand for equity investments, in general, and in particular, for yield-based equity investments such as our common units. Any such reduction in demand for our common units resulting from other more attractive investment opportunities may cause the trading price of our common units to decline.

***Operating cash flows from our capital projects may not be immediate.***

We have announced and are engaged in several construction projects involving existing and new facilities for which we have expended or will expend significant capital, and our operating cash flow from a particular project may not increase until a period of time after its completion. For instance, if we build a new pipeline or platform or expand an existing facility, the design, construction, development and installation may occur over an extended period of time, and we may not receive any material increase in operating cash flow from that project until a period of time after it is placed in-service. If we experience any unanticipated or extended delays in generating operating cash flow from these projects, we may be required to reduce or reprioritize our capital budget, sell non-core assets, access the capital markets or decrease or limit distributions to unitholders in order to meet our capital requirements.

***Our growth strategy may adversely affect our results of operations if we do not successfully integrate and manage the businesses that we acquire or if we substantially increase our indebtedness and contingent liabilities to make acquisitions.***

Our growth strategy includes making accretive acquisitions. As a result, from time to time, we will evaluate and acquire assets and businesses (either ourselves or Duncan Energy Partners may do so) that we believe complement our existing operations. We may be unable to successfully integrate and manage businesses we acquire in the future. We may incur substantial expenses or encounter delays or other problems in connection with our growth strategy that could negatively impact our financial position, results of operations and cash flows.

Moreover, acquisitions and business expansions involve numerous risks, including but not limited to:

- difficulties in the assimilation of the operations, technologies, services and products of the acquired companies or business segments;
- establishing the internal controls and procedures that we are required to maintain under the Sarbanes-Oxley Act of 2002;
- managing relationships with new joint venture partners with whom we have not previously partnered;
- experiencing unforeseen operational interruptions or the loss of key employees, customers or suppliers;
- inefficiencies and complexities that can arise because of unfamiliarity with new assets and the businesses associated with them, including with their markets; and
- diversion of the attention of management and other personnel from day-to-day business to the development or acquisition of new businesses and other business opportunities.

If consummated, any acquisition or investment would also likely result in the incurrence of indebtedness and contingent liabilities and an increase in interest expense and depreciation, amortization and accretion expenses. As a result, our capitalization and results of operations may change significantly following an acquisition. A substantial increase in our indebtedness and contingent liabilities could have a material adverse effect on our financial position, results of operations and cash flows. In addition, any anticipated benefits of a material acquisition, such as expected cost savings, may not be fully realized, if at all.

***Acquisitions that appear to increase our cash from operations may nevertheless reduce our cash from operations on a per unit basis.***

Even if we make acquisitions that we believe will increase our cash from operations, these acquisitions may nevertheless reduce our cash from operations on a per unit basis. Any acquisition involves assumptions that may not materialize and potential risks that may occur. These risks include our inability to achieve our operating and financial projections or to integrate an acquired business successfully, the assumption of unknown liabilities for which we become liable, and the loss of key employees or key customers.

If we consummate any future acquisitions, our capitalization and results of operations may change significantly, and you will not have the opportunity to evaluate the economic, financial and other relevant information that we will consider in determining the application of these funds and other resources.

***Our actual construction, development and acquisition costs could exceed forecasted amounts.***

We have significant expenditures for the development and construction of midstream energy infrastructure assets, including construction and development projects with significant logistical, technological and staffing challenges. We may not be able to complete our projects at the costs we estimated at the time of each project's initiation or that we currently estimate. For example, material and labor costs associated with our projects in the Rocky Mountains region increased over time due to factors such as higher transportation costs and the availability of construction personnel. Similarly, force majeure events such as hurricanes along the Gulf Coast may cause delays,

shortages of skilled labor and additional expenses for these construction and development projects, as were experienced with Hurricanes Gustav and Ike in 2008.

***Our construction of new assets is subject to regulatory, environmental, political, legal and economic risks, which may result in delays, increased costs or decreased cash flows.***

One of the ways we intend to grow our business is through the construction of new midstream energy assets. The construction of new assets involves numerous operational, regulatory, environmental, political and legal risks beyond our control and may require the expenditure of significant amounts of capital. These potential risks include, among other things, the following:

- we may be unable to complete construction projects on schedule or at the budgeted cost due to the unavailability of required construction personnel or materials, accidents, weather conditions or an inability to obtain necessary permits;
- we will not receive any material increases in revenues until the project is completed, even though we may have expended considerable funds during the construction phase, which may be prolonged;
- we may construct facilities to capture anticipated future growth in production in a region in which such growth does not materialize;
- since we are not engaged in the exploration for and development of natural gas reserves, we may not have access to third-party estimates of reserves in an area prior to our constructing facilities in the area. As a result, we may construct facilities in an area where the reserves are materially lower than we anticipate;
- where we do rely on third-party estimates of reserves in making a decision to construct facilities, these estimates may prove to be inaccurate because there are numerous uncertainties inherent in estimating reserves;
- the completion or success of our project may depend on the completion of a project that we do not control, such as a refinery, that may be subject to numerous of its own potential risks, delays and complexities; and
- we may be unable to obtain rights-of-way to construct additional pipelines or the cost to do so may be uneconomical.

A materialization of any of these risks could adversely affect our ability to achieve growth in the level of our cash flows or realize benefits from expansion opportunities or construction projects.

***A significant amount of our common units and all of our Class B units that are owned by EPCO and certain of its affiliates are pledged as security under the credit facility of an affiliate of EPCO. Upon an event of default under this credit facility, a change in ownership or control of us could ultimately result.***

An affiliate of EPCO has pledged a significant amount of its common units and all of its Class B units in us as security under its credit facility. This credit facility contains customary and other events of default relating to defaults of the borrower and certain of its affiliates, including us. An event of default, followed by a foreclosure on the pledged collateral, could ultimately result in a change in ownership of us.

***The credit and risk profile of our general partner, its owners and their affiliates could adversely affect our risk profile, which could increase our borrowing costs, hinder our ability to raise capital or impact future credit ratings.***

The credit and business risk profiles of the general partner, owners of the general partner or their affiliates may be factors in credit evaluations of a master limited partnership. This is because the general partner can exercise significant influence over the business activities of the partnership, including its cash distribution and acquisition strategy and business risk profile. Another factor that may be considered is the financial condition of the general partner, its owners and their affiliates, including the degree of their financial leverage and their dependence on cash flow from the partnership to service their indebtedness.

Affiliates of the entities controlling the owner of our general partner have significant indebtedness outstanding and are dependent principally on the cash distributions from their limited partner equity interests in us to service such indebtedness. Any distributions by us to such entities will be made only after satisfying our then current obligations to creditors.

Although we have taken certain steps in our organizational structure, financial reporting and contractual relationships to reflect the separateness of us and our general partner from the entities that control our general partner, our credit ratings and business risk profile could be adversely affected if the ratings and risk profiles of EPCO or the entities that control our general partner were viewed as substantially lower or more risky than ours.

***The interruption of cash distributions to us from our subsidiaries and joint ventures may affect our ability to satisfy our obligations and to make cash distributions to our partners.***

We are a holding company with no business operations, and our operating subsidiaries conduct all of our operations and own all of our operating assets. Our only significant assets are the ownership interests we own in our operating subsidiary, EPO. As a result, we depend upon the earnings and cash flow of EPO and its subsidiaries and joint ventures and the distribution of that cash to us in order to meet our obligations and to allow us to make cash distributions to our partners. The ability of EPO and its subsidiaries and joint ventures to make cash distributions to us may be restricted by, among other things, the provisions of existing and future indebtedness, applicable state partnership and limited liability company laws and other laws and regulations, including FERC policies. For example, all cash flows from Evangeline are currently used to service its debt.

As of December 31, 2009, EPO also owned 33,783,587 common units of Duncan Energy Partners, representing approximately 58.6% of its outstanding common units and 100% of its general partner. As of September 30, 2010, EPO owned common units of Duncan Energy Partners representing approximately 58.5% of its outstanding limited partner units and 100% of its general partner. EPO also owned noncontrolling interests in subsidiaries of Duncan Energy Partners that held total assets of approximately \$4.8 billion and \$5.3 billion as of December 31, 2009 and September 30, 2010, respectively. With respect to three subsidiaries of Duncan Energy Partners acquired from us on December 8, 2008 that held approximately \$3.7 billion and \$3.8 billion of total assets as of December 31, 2009 and September 30, 2010, respectively, Duncan Energy Partners has effective priority rights to specified quarterly distribution amounts ahead of distributions on our retained equity interests in these subsidiaries.

In addition, the charter documents governing EPO's joint ventures typically allow their respective joint venture management committees sole discretion regarding the occurrence and amount of distributions. Three of the joint ventures in which EPO participates have separate credit agreements that contain various restrictive covenants. Among other things, those covenants may limit or restrict the joint venture's ability to make cash distributions to us under certain circumstances. Accordingly, EPO's joint ventures may be unable to make cash distributions to us at current levels, if at all.

***We may be unable to cause our joint ventures to take or not to take certain actions unless some or all of our joint venture participants agree.***

We participate in several joint ventures. Due to the nature of some of these arrangements, each participant in these joint ventures has made substantial investments in the joint venture and, accordingly, has required that the relevant charter documents contain certain features designed to provide each participant with the opportunity to participate in the management of the joint venture and to protect its investment, as well as any other assets which may be substantially dependent on or otherwise affected by the activities of that joint venture. These participation and protective features customarily include a corporate governance structure that requires at least a majority-in-interest vote to authorize many basic activities and requires a greater voting interest (sometimes up to 100%) to authorize more significant activities. Examples of these more significant activities are large expenditures or contractual commitments, the construction or acquisition of assets, borrowing money or otherwise raising capital, transactions with affiliates of a joint venture participant, litigation and transactions not in the ordinary course of business, among others. Thus, without the concurrence of joint venture participants with enough voting interests, we may be unable to cause any of our joint ventures to take or not to take certain actions, even though those actions may be in the best interest of us or the particular joint venture.

Moreover, any joint venture owner may sell, transfer or otherwise modify its ownership interest in a joint venture, whether in a transaction involving third parties or the other joint venture owners. Any such transaction could result in us being required to partner with different or additional parties.

***A natural disaster, catastrophe or other event could result in severe personal injury, property damage and environmental damage, which could curtail our operations and otherwise materially adversely affect our cash flow and, accordingly, affect the market price of our common units.***

Some of our operations involve risks of personal injury, property damage and environmental damage, which could curtail our operations and otherwise materially adversely affect our cash flow. For example, natural gas facilities operate at high pressures, sometimes in excess of 1,100 lbs per square inch. We also operate crude oil and natural gas facilities located underwater in the Gulf of Mexico, which can involve complexities, such as extreme water pressure. In addition, our marine transportation business is subject to additional risks, including the possibility of marine accidents and spill events. From time to time, our octane enhancement facility may produce MTBE for export, which could expose us to additional risks from spill events. Virtually all of our operations are exposed to potential natural disasters, including hurricanes, tornadoes, storms, floods and/or earthquakes. The location of our assets and our customers' assets in the U.S. Gulf Coast region makes them particularly vulnerable to hurricane risk.

If one or more facilities that are owned by us or that deliver crude oil, natural gas or other products to us are damaged by severe weather or any other disaster, accident, catastrophe or event, our operations could be significantly interrupted. Similar interruptions could result from damage to production or other facilities that supply our facilities or other stoppages arising from factors beyond our control. These interruptions might involve significant damage to people, property or the environment, and repairs might take from a week or less for a minor incident to six months or more for a major interruption. Additionally, some of the storage contracts that we are a party to obligate us to indemnify our customers for any damage or injury occurring during the period in which the customers' natural gas is in our possession. Any event that interrupts the revenues generated by our operations, or which causes us to make significant expenditures not covered by insurance, could reduce our cash available for paying distributions and, accordingly, adversely affect the market price of our common units.

We believe that EPCO maintains adequate insurance coverage on our behalf, although insurance will not cover many types of interruptions that might occur, will not cover amounts up to applicable deductibles and will not cover all risks associated with certain of our products. As a result of market conditions, premiums and deductibles for certain insurance policies can increase substantially, and in some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. For example, change in the insurance markets subsequent to the hurricanes in 2005 and 2008 have made it more difficult for us to obtain certain types of coverage. As a result, EPCO may not be able to renew existing insurance policies on behalf of us or procure other desirable insurance on commercially reasonable terms, if at all. If we were to incur a significant liability for which we were not fully insured, it could have a material adverse effect on our financial position, results of operations and cash flows. In addition, the proceeds of any such insurance may not be paid in a timely manner and may be insufficient if such an event were to occur.

***An impairment of goodwill and intangible assets could reduce our earnings.***

At December 31, 2009, our balance sheet reflected \$2.02 billion of goodwill and \$1.06 billion of intangible assets. At September 30, 2010, our balance sheet reflected \$2.05 billion of goodwill and \$1.86 billion of intangible assets. Goodwill is recorded when the purchase price of a business exceeds the fair market value of the tangible and separately measurable intangible net assets. Generally accepted accounting principles in the United States ("GAAP") require us to test goodwill for impairment on an annual basis or when events or circumstances occur indicating that goodwill might be impaired. Long-lived assets such as intangible assets with finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If we determine that any of our goodwill or intangible assets were impaired, we would be required to take an immediate charge to earnings with a correlative effect on partners' equity and balance sheet leverage as measured by debt to total capitalization.

***The use of derivative financial instruments could result in material financial losses by us.***

We historically have sought to limit a portion of the adverse effects resulting from changes in energy commodity prices and interest rates by using financial derivative instruments and other hedging mechanisms from time to time. To the extent that we hedge our commodity price and interest rate exposures, we will forego the benefits we would otherwise experience if commodity prices or interest rates were to change in our favor. In addition, even though monitored by management, hedging activities can result in losses. Such losses could occur under various circumstances, including if a counterparty does not perform its obligations under the hedge arrangement, the hedge is imperfect, or hedging policies and procedures are not followed. Adverse economic conditions, such as the financial crisis that developed in the fourth quarter of 2008 and continued into 2009, increase the risk of nonpayment or performance by our hedging counterparties. See Note 6 of the Notes to Supplemental Consolidated Financial Statements included under Exhibit 99.3 of this current report on Form 8-K for a discussion of our derivative instruments.

***Our business requires extensive credit risk management that may not be adequate to protect against customer nonpayment.***

Risks of nonpayment and nonperformance by customers are a major consideration in our businesses, and our credit procedures and policies may not be adequate to sufficiently eliminate customer credit risk. Further, adverse economic conditions, such as the credit crisis that developed in the fourth quarter of 2008 and continued into 2009, increase the risk of nonpayment and nonperformance by customers, particularly for customers that are smaller companies. We manage our exposure to credit risk through credit analysis, credit approvals, credit limits and monitoring procedures, and for certain transactions may utilize letters of credit, prepayments, net out agreements and guarantees. However, these procedures and policies do not fully eliminate customer credit risk.

Our primary market areas are located in the Gulf Coast, Southwest, Rocky Mountain, Northeast and Midwest regions of the United States. We have a concentration of trade receivable balances due from major integrated oil companies, independent oil companies and other pipelines and wholesalers. These concentrations of market areas may affect our overall credit risk in that the customers may be similarly affected by changes in economic, regulatory or other factors. Our consolidated revenues are derived from a wide customer base. During 2009, our largest non-affiliated customer based on revenues was Shell, which accounted for 9.8% of our revenues. During 2008 and 2007, our largest non-affiliated customer based on revenues was Valero, which accounted for 11.2% and 8.9%, respectively, of our revenues.

***Our risk management policies cannot eliminate all commodity price risks. In addition, any non-compliance with our risk management policies could result in significant financial losses.***

To enhance utilization of certain assets and our operating income, we purchase petroleum products. Generally, it is our policy to maintain a position that is substantially balanced between purchases, on the one hand, and sales or future delivery obligations, on the other hand. Through these transactions, we seek to establish a margin for the commodity purchased by selling the same commodity for physical delivery to third-party users, such as producers, wholesalers, independent refiners, marketing companies or major oil companies. These policies and practices cannot, however, eliminate all price risks. For example, any event that disrupts our anticipated physical supply could expose us to risk of loss resulting from price changes if we are required to obtain alternative supplies to cover these transactions. We are also exposed to basis risks when a commodity is purchased against one pricing index and sold against a different index. Moreover, we are exposed to some risks that are not hedged, including price risks on product inventory, such as pipeline linefill, which must be maintained in order to facilitate transportation of the commodity on our pipelines. In addition, our marketing operations involve the risk of non-compliance with our risk management policies. We cannot assure you that our processes and procedures will detect and prevent all violations of our risk management policies, particularly if deception or other intentional misconduct is involved.

***Our pipeline integrity program and periodic tank maintenance requirements may impose significant costs and liabilities on us.***

The DOT issued final rules (effective March 2001 with respect to hazardous liquid pipelines and February 2004 with respect to natural gas pipelines) requiring pipeline operators to develop integrity management programs to comprehensively evaluate their pipelines, and take measures to protect pipeline segments located in HCAs. The final rule resulted from the enactment of the Pipeline Safety Improvement Act of 2002. At this time, we cannot predict the ultimate costs of compliance with this rule because those costs will depend on the number and extent of any repairs found to be necessary as a result of the pipeline integrity testing that is required by the rule. The majority of the costs to comply with this integrity management rule are associated with pipeline integrity testing and any repairs found to be necessary as a result of such testing. Changes such as advances of in-line inspection tools, identification of additional threats to a pipeline's integrity and changes to the amount of pipe determined to be located in HCAs can have a significant impact on the costs to perform integrity testing and repairs. We will continue our pipeline integrity testing programs to assess and maintain the integrity of our pipelines. The results of these tests could cause us to incur significant and unanticipated capital and operating expenditures for repairs or upgrades deemed necessary to ensure the continued safe and reliable operation of our pipelines.

In June 2008, the DOT issued a Final Rule extending its pipeline safety regulations, including integrity management requirements, to certain rural onshore hazardous liquid gathering lines and certain rural onshore low-stress hazardous liquid pipelines within a buffer area around "unusually sensitive areas." The issuance of these new gathering and low-stress pipeline safety regulations, including requirements for integrity management of those pipelines, is likely to increase the operating costs of our pipelines subject to such new requirements.

The American Petroleum Institute Standard 653 ("API 653") is an industry standard for the inspection, repair, alteration and reconstruction of existing storage tanks. API 653 requires regularly scheduled inspection and repair of tanks remaining in service. Periodic tank maintenance requirements could cause us to incur significant and unanticipated capital and operating expenditures for repairs or upgrades deemed necessary to ensure the continued safe and reliable operation of our storage tanks.

***Additional regulations that cause delays or deter new offshore oil and gas drilling could have a material adverse effect on our financial position, results of operations and cash flows.***

On April 20, 2010, the Deepwater Horizon drilling rig caught fire and sank in the Gulf of Mexico, resulting in an oil spill that has significantly impacted ecological resources in the Gulf of Mexico. As a result, on May 28, 2010, the U.S. Department of the Interior issued a six-month moratorium that halted drilling of uncompleted and new oil and gas wells (in water deeper than 500 feet) in the Gulf of Mexico with certain limited exceptions and halted consideration of drilling permits for deepwater wells. In addition to the moratorium, the Department of the Interior also canceled or delayed offshore oil and gas lease sales off the Mid-Atlantic coast and in Alaska. Under political and legal pressure, the Interior Secretary withdrew the moratorium and replaced it on July 12, 2010 with a suspension of certain offshore drilling activities that was to be effective through October 30, 2010.

The drilling suspension was lifted by the Interior Secretary on October 12, 2010. However, the timing and process for approving applications for new permits to drill and the cost associated with compliance with various new and enhanced safety and environmental requirements imposed following the Deepwater Horizon incident (discussed below) remain uncertain.

Following the Deepwater Horizon event, the Bureau of Ocean Energy Management, Regulation and Enforcement ("BOEMRE"), formerly the Minerals Management Service, an office of the Department of the Interior which is charged with oversight of the United States' oil, natural gas and other minerals on the Outer Continental Shelf, is being reorganized under a secretarial order of the Department of the Interior, which may be reinforced through legislation. Since the Deepwater Horizon event, the Department of the Interior, through the BOEMRE, has issued a series of rules that increase regulatory requirements for offshore oil and gas operations. On June 8, 2010, the BOEMRE issued a notice to holders of offshore oil and gas leases requiring compliance certifications and third party verification of certain inspection and design matters. On June 18, 2010, a subsequent notice to lessees called for enhanced information regarding planning scenarios relating to blowouts, discharges of pollutants and prevention

of accidents. Another notice to lessees on August 16, 2010, made changes to the environmental review process for offshore oil and gas development. On October 14, 2010, the BOEMRE published an emergency drilling safety rule imposing additional requirements for well bore integrity and well control equipment and procedures, including provisions addressing blowout preventers and the use of drilling fluids. This interim final rule became effective immediately, but is subject to future changes that may be made by the BOEMRE in response to public comments received by December 13, 2010. On October 15, 2010, the BOEMRE also published a final rule requiring safety and environmental management systems for all oil and gas operations on the Outer Continental Shelf. The Interior Secretary has stated that companies with offshore operations will face a "dynamic regulatory environment" following the end of the moratorium and suspension. Moreover, understaffing at the Department of the Interior and reorganization of the BOEMRE may further delay the processing of permits. In addition to federal regulatory activity, at least one state has ordered enhanced inspections of oil and gas rigs and required more stringent disaster preparedness plans, and it is possible that other state-level requirements will be imposed on offshore energy production activities.

Accordingly, the effect of new regulatory requirements on offshore energy development in the Gulf of Mexico, including the prospects and timing of securing permits for offshore energy production activities, are evolving and uncertain. Such uncertainty may cause companies to curtail or delay oil and gas production activities, or to redirect resources to other areas such as West Africa, the Caribbean or South America, which may further delay the resumption of drilling activity in the Gulf of Mexico. It is uncertain at this time how and to what extent oil and natural gas supplies from the Gulf of Mexico and other offshore drilling areas will be affected.

In addition to federal agency action, numerous legislative proposals have been introduced in the U.S. Congress in reaction to the Deepwater Horizon incident, some of which may be considered during the remainder of the current legislative session, and similar measures may be introduced in subsequent legislative periods. Bills that have received attention include measures to:

- modify or revoke liability limits and caps under the Oil Spill Liability Trust Fund, the Oil Pollution Act of 1990, and certain other statutes;
- revise federal liability regimes to include health effects, personal injuries, and other tort claims;
- mandate more stringent safety measures and inspections under the Oil Pollution Act and Outer Continental Shelf Lands Act;
- expand environmental reviews and lengthen review timelines;
- impose fees, increase taxes or remove tax exemptions;
- modify financial responsibility and insurance requirements for offshore energy activities; and
- require U.S. registration of oil rigs.

However, it is unclear and cannot be predicted whether and when Congress may pass legislation.

Given the scope and effect of the Deepwater Horizon incident to date, as well as statements made by the Interior Secretary, it is expected that additional regulatory compliance and agency review will be required prior to permitting new wells or continued drilling of existing wells, which may affect the cost and timing of oil and gas production in the Gulf of Mexico and other offshore areas. A decline in, or failure to achieve anticipated volumes of, oil and natural gas supplies due to any of the foregoing factors may have a material adverse effect on our financial position, results of operations or cash flows through reduced gathering and transportation volumes, processing activities, or other midstream services.

***Environmental costs and liabilities and changing environmental regulation, including climate change regulation, could affect our results of operations, cash flows and financial condition.***

Our operations are subject to extensive federal, state and local regulatory requirements relating to environmental affairs, health and safety, waste management and chemical and petroleum products. Further, we cannot ensure that existing environmental regulations will not be revised or that new regulations, such as regulations



designed to reduce the emissions of greenhouse gases, will not be adopted or become applicable to us. Governmental authorities have the power to enforce compliance with applicable regulations and permits and to subject violators to civil and criminal penalties, including substantial fines, injunctions or both. Certain environmental laws, including CERCLA and analogous state laws and regulations, impose strict, joint and several liability for costs required to cleanup and restore sites where hazardous substances or hydrocarbons have been disposed or otherwise released. Moreover, third parties, including neighboring landowners, may also have the right to pursue legal actions to enforce compliance or to recover for personal injury and property damage allegedly caused by the release of hazardous substances, hydrocarbons or other waste products into the environment.

We will make expenditures in connection with environmental matters as part of normal capital expenditure programs. However, future environmental law developments, such as stricter laws, regulations, permits or enforcement policies, could significantly increase some costs of our operations, including the handling, manufacture, use, emission or disposal of substances and wastes.

Climate change regulation is one area of potential future environmental law development. Certain studies have suggested that emissions of certain gases, commonly referred to as "greenhouse gases," may be contributing to warming of the Earth's atmosphere. Methane, a primary component of natural gas, and carbon dioxide, a byproduct of the burning of natural gas, are examples of greenhouse gases. The U.S. Congress is considering legislation to reduce emissions of greenhouse gases. In addition, at least nine states in the Northeast and five states in the West have developed initiatives to regulate emissions of greenhouse gases, primarily through the planned development of greenhouse gas emission inventories and/or regional greenhouse gas cap and trade programs. </div>

On December 7, 2009, the EPA announced its findings that emissions of "greenhouse gases" present an endangerment to human health and the environment. These findings by the EPA allow the agency to proceed with the adoption and implementation of regulations that would restrict emissions of greenhouse gases under existing provisions of the CAA. In late September 2009, the EPA had proposed two sets of CAA regulations in anticipation of finalizing its endangerment findings that would require a reduction in emissions of greenhouse gases from motor vehicles and, also, could trigger permit review for greenhouse gas emissions from certain stationary sources. In addition, on September 22, 2009, the EPA issued a final CAA rule requiring the reporting of greenhouse gas emissions from specified large greenhouse gas emission sources in the United States beginning in 2011 for emissions occurring in 2010. These regulations will require reporting for some of our facilities, and additional EPA regulations expected to be adopted in 2010 will require other of our facilities to report their greenhouse gas emissions, possibly beginning in 2012 for emissions occurring in 2011.

Also, on June 26, 2009, the U.S. House of Representatives passed the ACESA, which would establish an economy-wide cap-and-trade program intended to reduce U.S. emissions of "greenhouse gases." ACESA would require a 17% reduction in greenhouse gas emissions from 2005 levels by 2020 and just over an 80% reduction of such emissions by 2050. Under this legislation, the EPA would issue a capped and steadily declining number of tradable emissions allowances to certain major sources of greenhouse gas emissions so that such sources could continue to emit greenhouse gases into the atmosphere. The cost of these allowances would be expected to escalate significantly over time. The net effect of ACESA would be to impose increasing costs on the combustion of carbon-based fuels such as oil, refined petroleum products, and natural gas. The U.S. Senate has begun work on its own legislation for restricting domestic greenhouse gas emissions and the Obama Administration has indicated its support of legislation to reduce greenhouse gas emissions through an emission allowance system.

Although it is not possible at this time to predict when the Senate may act on climate change legislation or how any bill passed by the Senate would be reconciled with ACESA, the adoption and implementation of any CAA regulations, and any future federal, state or local laws or implementing regulations that may be adopted to address greenhouse gas emissions, could require us to incur increased operating costs and could adversely affect demand for the crude oil, natural gas and other hydrocarbon products that we transport, store or otherwise handle in connection with our midstream services. The effect on our operations could include increased costs to operate and maintain our facilities, measure and report our emissions, install new emission controls on our facilities, acquire allowances to authorize our greenhouse gas emissions, pay any taxes related to our greenhouse gas emissions and administer and manage a greenhouse gas emissions program. While we may be able to include some or all of such increased costs in the rates charged by our pipelines or other facilities, such recovery of costs is uncertain and may depend on events

beyond our control, including the outcome of future rate proceedings before the FERC and the provisions of any final legislation.

Additionally, proposals have been introduced in the U.S. Congress to regulate hydraulic fracturing operations and related injection of fracturing fluids and propping agents used in fracturing fluids by the oil and natural gas industry under the federal Safe Drinking Water Act ("SDWA") and to require the disclosure of chemicals used in the hydraulic fracturing process under the SDWA, Emergency Planning and Community Right-to-Know Act, or other authority. Hydraulic fracturing is an important and commonly used process in the completion of unconventional oil and natural gas wells in shale, coal bed and tight sand formations. Sponsors of these bills have asserted that chemicals used in the fracturing process could adversely affect drinking water supplies and otherwise cause adverse environmental impacts. The Chairman of the House Energy and Commerce Committee has initiated an investigation of the potential impacts of hydraulic fracturing, which has involved seeking information about fracturing activities and chemicals from certain companies in the oil and gas sector. In addition, in March 2010, the U.S. EPA announced its intention to conduct a comprehensive research study on the potential adverse impacts that hydraulic fracturing may have on water quality and public health. The EPA has begun preparation for the study and expects to complete the study in 2012. In addition, various state-level initiatives in regions with substantial shale gas supplies have been proposed or implemented to regulate hydraulic fracturing practices, limit water withdrawals and water use, require disclosure of fracturing fluid constituents, or protect drinking water supplies. Moreover, public debate over hydraulic fracturing and shale gas production has been increasing, and has resulted in delays of well permits in some areas, particularly in the Marcellus Shale play.

Increased regulation and attention given to the hydraulic fracturing process could lead to greater opposition, including litigation, to oil and gas production activities using hydraulic fracturing techniques. Additional legislation or regulation could also lead to operational delays or increased operating costs in the production of oil and natural gas, including from the developing shale plays, incurred by our customers or could make it more difficult to perform hydraulic fracturing. If these legislative and regulatory initiatives cause a material decrease in the drilling of new wells and related servicing activities, our profitability could be materially impacted.

Our marine transportation operations are also subject to state and local laws and regulations that control the discharge of pollutants into the environment or otherwise relate to environmental protection. Compliance with such laws, regulations and standards may require installation of costly equipment or operational changes. Failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of our marine operations. Some environmental laws often impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject us to liability without regard to whether we were negligent or at fault. Under the OPA, owners, operators and bareboat charterers are jointly and severally strictly liable for the discharge of oil within the internal and territorial waters of, and the 200-mile exclusive economic zone around, the United States. Additionally, an oil spill from one of our vessels could result in significant liability, including fines, penalties, criminal liability and costs for natural resource damages. The potential for these releases could increase if we increase our fleet capacity. In addition, most states bordering on a navigable waterway have enacted legislation providing for potentially unlimited liability for the discharge of pollutants within their waters.

Global warming, if occurring, may also impact our operations directly, including increased maintenance costs for our facilities, increased flooding and severe weather risks for our facilities that are located in low-lying areas and coastal regions, and reduced demand for hydrocarbon products that may reduce demand and volumes of the products that we process, transport, market and store.

***Federal, state or local regulatory measures could materially adversely affect our business, results of operations, cash flows and financial condition.***

The FERC regulates our interstate natural gas pipelines and natural gas storage facilities under the NGA, and interstate NGL and petrochemical pipelines under the ICA. The STB regulates our interstate propylene pipelines. State regulatory agencies regulate our intrastate natural gas and NGL pipelines, intrastate storage facilities and gathering lines.

Under the NGA, the FERC has authority to regulate natural gas companies that provide natural gas pipeline transportation services in interstate commerce. Its authority to regulate those services is comprehensive and includes the rates charged for the services, terms and condition of service and certification and construction of new facilities. The FERC requires that our services are provided on a non-discriminatory basis so that all shippers have open access to our pipelines and storage. Pursuant to the FERC's jurisdiction over interstate gas pipeline rates, existing pipeline rates may be challenged by customer complaint or by the FERC and proposed rate increases may be challenged by protest.

We have interests in natural gas pipeline facilities offshore from Texas and Louisiana. These facilities are subject to regulation by the FERC and other federal agencies, including the Department of Interior, under the Outer Continental Shelf Lands Act, and by the DOT's OPS under the Natural Gas Pipeline Safety Act.

Our intrastate NGL and natural gas pipelines are subject to regulation in many states, including Alabama, Colorado, Louisiana, Mississippi, New Mexico and Texas, and by the FERC pursuant to Section 311 of the NGPA. We also have natural gas underground storage facilities in Louisiana, Mississippi and Texas. Although state regulation is typically less onerous than at the FERC, proposed and existing rates subject to state regulation and the provision of services on a non-discriminatory basis are also subject to challenge by protest and complaint, respectively.

Although our natural gas gathering systems are generally exempt from FERC regulation under the NGA, FERC regulation still significantly affects our natural gas gathering business. In recent years, the FERC has pursued pro-competition policies in its regulation of interstate natural gas pipelines. If the FERC does not continue this approach, it could have an adverse effect on the rates we are able to charge in the future. In addition, our natural gas gathering operations could be adversely affected in the future should they become subject to the application of federal regulation of rates and services or if the states in which we operate adopt policies imposing more onerous regulation on gathering. Additional rules and legislation pertaining to these matters are considered and adopted from time to time at both state and federal levels. We cannot predict what effect, if any, such regulatory changes and legislation might have on our operations, but we could be required to incur additional capital expenditures.

Increasingly stringent federal, state and local laws and regulations governing worker health and safety and the manning, construction and operation of marine vessels may significantly affect our marine transportation operations. Many aspects of the marine industry are subject to extensive governmental regulation by the USCG, the DOT, the Department of Homeland Security, the National Transportation Safety Board and the U.S. Customs and Border Protection, and to regulation by private industry organizations such as the ABS. The USCG and the National Transportation Safety Board set safety standards and are authorized to investigate vessel accidents and recommend improved safety standards. The USCG is authorized to inspect vessels at will.

For a general overview of federal, state and local regulation applicable to our assets, see "Regulation" included within Items 1 and 2 of our annual report on Form 10-K for the year ended December 31, 2009 as originally filed on March 1, 2010. This regulatory oversight can affect certain aspects of our business and the market for our products and could materially adversely affect our cash flows.

***We are subject to strict regulations at many of our facilities regarding employee safety, and failure to comply with these regulations could adversely affect our ability to make distributions to unitholders.***

The workplaces associated with our facilities are subject to the requirements of OSHA, and comparable state statutes that regulate the protection of the health and safety of workers. In addition, the OSHA hazard communication standard requires that we maintain information about hazardous materials used or produced in our operations and that we provide this information to employees, state and local governmental authorities and local residents. The failure to comply with OSHA requirements or general industry standards, keep adequate records or monitor occupational exposure to regulated substances could have a material adverse effect on our business, financial position, results of operations and ability to make distributions to unitholders.

***The adoption and implementation of new statutory and regulatory requirements for derivative transactions could have an adverse impact on our ability to hedge risks associated with our business and increase the working capital requirements to conduct these activities.***

The United States Congress has passed, and the President has signed into law, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"). The Act provides for new statutory and regulatory requirements for financial derivative transactions, including oil and gas hedging transactions. Certain transactions will be required to be cleared on exchanges, and cash collateral will be required for these transactions. The Act provides for a potential exception from these clearing and cash collateral requirements for commercial end-users and it includes a number of defined terms that will be used in determining how this exception applies to particular derivative transactions and to the parties to those transactions. The Act requires the Commodity Futures Trading Commission (the "CFTC") to promulgate rules to define these terms in detail, but we do not know the definitions that the CFTC will actually promulgate or how these definitions will apply to us.

The majority of our financial derivative transactions are currently executed and cleared over exchanges that already require the posting of cash collateral or letters of credit based on initial and variation margin requirements. We enter into over-the-counter natural gas, NGL, crude oil and refined products derivative contracts from time to time with respect to a portion of our expected processing, storage and transportation activities in order to hedge against commodity price uncertainty and enhance the predictability of cash flows from these activities. Depending on the rules and definitions adopted by the CFTC, we might in the future be required to provide additional cash collateral for our commodities hedging transactions whether cleared over an exchange or new cash collateral for those transactions executed over-the-counter. Posting of additional or new cash collateral could cause liquidity issues for us by reducing our ability to use our cash for capital expenditures or other partnership purposes. A requirement to post additional or new cash collateral could therefore significantly reduce our ability to execute strategic hedges to reduce commodity price uncertainty and thus protect cash flows. We are at risk unless and until the CFTC adopts rules and definitions that confirm that companies such as ourselves are not required to post cash collateral for our over-the-counter derivative hedging contracts not increase the amount of cash collateral posted for transactions cleared over an exchange. In addition, even if we ourselves are not required to post cash collateral for our derivative contracts, the banks and other derivatives dealers who are our contractual counterparties will be required to comply with the Act's new requirements, and the costs of their compliance will likely be passed on to customers such as ourselves, thus decreasing the benefits to us of hedging transactions and reducing our profitability.

***Our rates are subject to review and possible adjustment by federal and state regulators, which could have a material adverse effect on our financial condition and results of operations.***

The FERC, pursuant to the ICA, as amended, the Energy Policy Act and rules and orders promulgated thereunder, regulates the tariff rates for our interstate common carrier pipeline operations. To be lawful under the ICA, interstate tariff rates, terms and conditions of service must be just and reasonable and not unduly discriminatory, and must be on file with the FERC. In addition, pipelines may not confer any undue preference upon any shipper. Shippers may protest, and the FERC may investigate, the lawfulness of new or changed tariff rates. The FERC can suspend those tariff rates for up to seven months. It can also require refunds of amounts collected pursuant to rates that are ultimately found to be unlawful. The FERC and interested parties can also challenge tariff rates that have become final and effective. The FERC also can order reparations for overcharges effective two years prior to the date of a complaint. Due to the complexity of rate making, the lawfulness of any rate is never assured. A successful challenge of our rates could adversely affect our revenues.

The FERC uses prescribed rate methodologies for approving regulated tariff rates for interstate liquids pipelines. The FERC's indexing methodology currently allows a pipeline to increase its rates by a percentage linked to the producer price index for finished goods. As an alternative to using the indexing methodology, interstate liquids pipelines may elect to support rate filings by using a cost-of-service methodology, Market-Based Rates or agreements with all of the pipeline's shippers that the rate is acceptable. These methodologies may limit our ability to set rates based on our actual costs or may delay the use of rates reflecting increased costs. Changes in the FERC's approved methodology for approving rates, or challenges to our application of that methodology, could

adversely affect us. Adverse decisions by the FERC in approving our regulated rates could adversely affect our cash flow.

The intrastate liquids pipeline transportation services we provide are subject to various state laws and regulations that apply to the rates we charge and the terms and conditions of the services we offer. Although state regulation typically is less onerous than FERC regulation, the rates we charge and the provision of our services may be subject to challenge.

***Our partnership status may be a disadvantage to us in calculating our cost of service for rate-making purposes.***

In May 2005, the FERC issued a policy statement permitting the inclusion of an income tax allowance in the cost of service-based rates of a pipeline organized as a tax pass through partnership entity to reflect actual or potential income tax liability on public utility income, if the pipeline proves that the ultimate owner of its interests has an actual or potential income tax liability on such income. The policy statement also provides that whether a pipeline's owners have such actual or potential income tax liability will be reviewed by the FERC on a case-by-case basis. In December 2005, the FERC issued its first significant case-specific review of the income tax allowance issue in another pipeline partnership's rate case. The FERC reaffirmed its new income tax allowance policy and directed the subject pipeline to provide certain evidence necessary for the pipeline to determine its income tax allowance. The new tax allowance policy and the December 16, 2005 order were appealed to the United States Court of Appeals for the District of Columbia Circuit ("D.C. Circuit"). The D.C. Circuit denied these appeals in May 2007 and fully upheld the FERC's new tax allowance policy and the application of that policy in the December 2005 order.

In December 2006, the FERC issued a new order addressing rates on another pipeline. In the new order, FERC refined its income tax allowance policy, and notably raised a new issue regarding the implication of the policy statement for publicly traded partnerships. It noted that the tax deferral features of a publicly traded partnership may cause some investors to receive, for some indeterminate duration, cash distributions in excess of their taxable income, which the FERC characterized as a "tax savings." The FERC stated that it is concerned that this created an opportunity for those investors to earn an additional return, funded by ratepayers. Responding to this concern, the FERC chose to adjust the pipeline's equity rate of return downward based on the percentage by which the publicly traded partnership's cash flow exceeded taxable income.

In April 2008, the FERC issued a Policy Statement in which it declared that it would permit master limited partnerships ("MLPs") to be included in rate of return proxy groups for determining rates for services by natural gas and oil pipelines. It also addressed the application to limited partnership pipelines of the FERC's discounted cash flow methodology for determining rates of return on equity. The FERC applied the new policy to several ongoing proceedings involving other pipelines. The FERC's rate of return policy remains subject to change.

The ultimate outcome of these proceedings is not certain and could result in changes to the FERC's treatment of income tax allowances in cost of service as well as rates of return, particularly with respect to pipelines organized as partnerships. The outcome of these ongoing proceedings could adversely affect our revenues for any of our rates that are calculated using cost of service rate methodologies.

***Our marine transportation business would be adversely affected if we failed to comply with the Jones Act provisions on coastwise trade, or if those provisions were modified, repealed or waived.***

We are subject to the Jones Act and other federal laws that restrict maritime transportation between points in the United States to vessels built and registered in the United States and owned and manned by U.S. citizens. We are responsible for monitoring the ownership of our common units and other partnership interests. If we do not comply with these restrictions, we would be prohibited from operating our vessels in U.S. coastwise trade, and under certain circumstances we would be deemed to have undertaken an unapproved foreign transfer, resulting in severe penalties, including permanent loss of U.S. coastwise trading rights for our vessels, fines or forfeiture of the vessels.

In the past, interest groups have lobbied Congress to repeal the Jones Act to facilitate foreign flag competition for trades and cargoes currently reserved for U.S.-flag vessels under the Jones Act and cargo preference

laws. We believe that interest groups may continue efforts to modify or repeal the Jones Act and cargo preference laws currently benefiting U.S.-flag vessels. If these efforts are successful, it could result in increased competition, which could reduce our revenues and cash available for distribution.

The Secretary of the Department of Homeland Security is vested with the authority and discretion to waive the coastwise laws to such extent and upon such terms as he may prescribe whenever he deems that such action is necessary in the interest of national defense. For example, in response to the effects of Hurricanes Katrina and Rita, the Secretary of the Department of Homeland Security waived the coastwise laws generally for the transportation of petroleum products from September 1 to September 19, 2005 and from September 26, 2005 to October 24, 2005. In the past, the Secretary of the Department of Homeland Security has waived the coastwise laws generally for the transportation of petroleum released from the Strategic Petroleum Reserve undertaken in response to circumstances arising from major natural disasters.¶ 60; Any waiver of the coastwise laws, whether in response to natural disasters or otherwise, could result in increased competition from foreign marine vessel operators, which could reduce our revenues and cash available for distribution.

***We depend on the leadership and involvement of key personnel for the success of our businesses.***

We depend on the leadership, involvement and services of key personnel. The loss of leadership and involvement or the services of certain key members of our senior management team could have a material adverse effect on our business, financial position, results of operations, cash flows and market price of our securities.

***EPCO's employees may be subjected to conflicts in managing our business and the allocation of time and compensation costs between our business and the business of EPCO and its other affiliates.***

We have no officers or employees and rely solely on officers of our general partner and employees of EPCO. Certain of our officers are also officers of EPCO and other affiliates of EPCO. These relationships may create conflicts of interest regarding corporate opportunities and other matters, and the resolution of any such conflicts may not always be in our or our unitholders' best interests. In addition, these overlapping officers and employees allocate their time among us, EPCO and other affiliates of EPCO. These officers and employees face potential conflicts regarding the allocation of their time, which may adversely affect our business, results of operations and financial condition.

We have entered into an ASA that governs business opportunities among entities controlled by EPCO, which includes us and our general partner and Duncan Energy Partners and its general partner. For detailed information regarding how business opportunities are handled within the EPCO group of companies, see Item 13 in our annual report on Form 10-K for the year ended December 31, 2009 as originally filed on March 1, 2010.

We do not have a separate compensation committee, and aspects of the compensation of our executive officers and other key employees, including base salary, are not reviewed or approved by our independent directors. The determination of executive officer and key employee compensation could involve conflicts of interest resulting in economically unfavorable arrangements for us. For a discussion of our executive compensation policies and procedures, see Item 11 in our annual report on Form 10-K for the year ended December 31, 2009 as originally filed on March 1, 2010.

***The global financial crisis and its ongoing effects may have impacts on our business and financial condition that we currently cannot predict.***

We may face significant challenges if conditions in the financial markets revert to those that existed in the fourth quarter of 2008 and during 2009. Our ability to access the capital markets may be severely restricted at a time when we would like, or need, to do so, which could have an adverse impact on our ability to meet capital commitments and achieve the flexibility needed to react to changing economic and business conditions. The credit crisis could have a negative impact on our lenders or customers, causing them to fail to meet their obligations to us. Additionally, demand for our services and products depends on activity and expenditure levels in the energy industry, which are directly and negatively impacted by depressed oil and gas prices. Also, a decrease in demand for NGLs by the petrochemical and refining industries due to a decrease in demand for their products as a result of general economic conditions would likely impact demand for our services and products. Any of these factors could

lead to reduced usage of our pipelines and energy logistics services, which could have a material negative impact on our revenues and prospects.

#### **Risks Relating to Our Partnership Structure**

##### ***We may issue additional securities without the approval of our common unitholders.***

At any time, we may issue an unlimited number of limited partner interests of any type (to parties other than our affiliates) without the approval of our unitholders. Our partnership agreement does not give our common unitholders the right to approve the issuance of equity securities including equity securities ranking senior to our common units. The issuance of additional common units or other equity securities of equal or senior rank will have the following effects:

- the ownership interest of a unitholder immediately prior to the issuance will decrease;
- the amount of cash available for distributions on each common unit may decrease;
- the ratio of taxable income to distributions may increase;
- the relative voting strength of each previously outstanding common unit may be diminished; and
- the market price of our common units may decline.

##### ***We may not have sufficient cash from operations to pay cash distributions at the current level following establishment of cash reserves and payments of fees and expenses.***

Because cash distributions on our common units are dependent on the amount of cash we generate, distributions may fluctuate based on our performance and capital needs. We cannot guarantee that we will continue to pay distributions at the current level each quarter. The actual amount of cash that is available to be distributed each quarter will depend upon numerous factors, some of which are beyond our control and the control of our general partner. These factors include but are not limited to the following:

- the volume of the products that we handle and the prices we receive for our services;
- the level of our operating costs;
- the level of competition in our business segments and marketing areas;
- prevailing economic conditions, including the price of and demand for oil, natural gas and other products we transport, store and market;
- the level of capital expenditures we make;
- the amount and cost of capital we can raise compared to the amount of our capital expenditures and debt maturities;
- the restrictions contained in our debt agreements and our debt service requirements;
- fluctuations in our working capital needs;
- the weather in our operating areas;
- cash outlays for acquisitions, if any; and
- the amount, if any, of cash reserves required by our general partner in its sole discretion.

In addition, you should be aware that the amount of cash we have available for distribution depends primarily on our cash flow, including cash flow from financial reserves and working capital borrowings, not solely on profitability, which is affected by non-cash items. As a result, we may make cash distributions during periods when we record losses and we may not make distributions during periods when we record net income.

*We do not have the same flexibility as other types of organizations to accumulate cash and equity to protect against illiquidity in the future.*

Unlike a corporation, our partnership agreement requires us to make quarterly distributions to our unitholders of all available cash reduced by any amounts of reserves for commitments and contingencies, including capital and operating costs and debt service requirements. The value of our units and other limited partner interests may decrease in correlation with decreases in the amount we distribute per unit. Accordingly, if we experience a liquidity problem in the future, we may not be able to issue more equity to recapitalize.

*Cost reimbursements and fees due to EPCO and its affiliates, including our general partner may be substantial and will reduce our cash available for distribution to holders of our units.*

Prior to making any distribution on our units, we will reimburse EPCO and its affiliates, including officers and directors of our general partner, for all expenses they incur on our behalf, including allocated overhead. These amounts will include all costs incurred in managing and operating us, including costs for rendering administrative staff and support services to us, and overhead allocated to us by EPCO. The payment of these amounts could adversely affect our ability to pay cash distributions to holders of our units. EPCO has sole discretion to determine the amount of these expenses. In addition, EPCO and its affiliates may provide other services to us for which we will be charged fees as determined by EPCO.

*Our general partner and its affiliates have limited fiduciary responsibilities to, and conflicts of interest with respect to, our partnership, which may permit it to favor its own interests to your detriment.*

The directors and officers of our general partner and its affiliates have duties to manage our general partner in a manner that is beneficial to its members. At the same time, our general partner has duties to manage our partnership in a manner that is beneficial to us. Therefore, our general partner's duties to us may conflict with the duties of its officers and directors to its members. Such conflicts may include, among others, the following:

- neither our partnership agreement nor any other agreement requires our general partner or EPCO to pursue a business strategy that favors us;
- decisions of our general partner regarding the amount and timing of asset purchases and sales, cash expenditures, borrowings, issuances of additional units and reserves in any quarter may affect the level of cash available to pay quarterly distributions to unitholders and our general partner;
- under our partnership agreement, our general partner determines which costs incurred by it and its affiliates are reimbursable by us;
- Our general partner is allowed to resolve any conflicts of interest involving us and our general partner and its affiliates;
- Our general partner is allowed to take into account the interests of parties other than us, such as EPCO, in resolving conflicts of interest, which has the effect of limiting its fiduciary duty to unitholders;
- any resolution of a conflict of interest by our general partner not made in bad faith and that is fair and reasonable to us shall be binding on the partners and shall not be a breach of our partnership agreement;
- affiliates of our general partner may compete with us in certain circumstances;
- Our general partner has limited its liability and reduced its fiduciary duties and has also restricted the remedies available to our unitholders for actions that might, without the limitations, constitute breaches of fiduciary duty. As a result of purchasing our units, you are deemed to consent to some actions and conflicts of interest that might otherwise constitute a breach of fiduciary or other duties under applicable law;
- we do not have any employees and we rely solely on employees of EPCO and its affiliates;
- in some instances, our general partner may cause us to borrow funds in order to permit the payment of distributions;



- our partnership agreement does not restrict our general partner from causing us to pay it or its affiliates for any services rendered to us or entering into additional contractual arrangements with any of these entities on our behalf;
- Our general partner intends to limit its liability regarding our contractual and other obligations and, in some circumstances, may be entitled to be indemnified by us;
- Our general partner controls the enforcement of obligations owed to us by our general partner and its affiliates; and
- Our general partner decides whether to retain separate counsel, accountants or others to perform services for us.

We have significant business relationships with entities controlled by EPCO and Dan Duncan LLC. For detailed information on these relationships and related transactions with these entities, see Item 13 of our annual report on Form 10-K for the year ended December 31, 2009 as originally filed on March 1, 2010.

***Unitholders have limited voting rights and are not entitled to elect our general partner or its directors, which could lower the trading price of our common units. In addition, even if unitholders are dissatisfied, they cannot easily remove our general partner.***

Unlike the holders of common stock in a corporation, unitholders have only limited voting rights on matters affecting our business and, therefore, limited ability to influence management's decisions regarding our business. Unitholders did not elect our general partner or its directors and will have no right to elect our general partner or its directors on an annual or other continuing basis. The Board of Directors of our general partner, including the independent directors, is chosen by the owners of the general partner and not by the unitholders.

Furthermore, if unitholders are dissatisfied with the performance of our general partner, they currently have no practical ability to remove our general partner or its officers or directors. Our general partner may not be removed except upon the vote of the holders of at least 60% of our outstanding units voting together as a single class. Because affiliates of our general partner own approximately 31% of our outstanding common units after giving effect to the merger on November 22, 2010, the removal of our general partner is highly unlikely without the consent of both our general partner and its affiliates. As a result of this provision, the trading price of our common units may be lower than other forms of equity ownership because of the absence or reduction of a takeover premium in the trading price.

***Our partnership agreement restricts the voting rights of unitholders owning 20% or more of our common units.***

Unitholders' voting rights are further restricted by a provision in our partnership agreement stating that any units held by a person that owns 20% or more of any class of our common units then outstanding, other than our general partner and its affiliates, cannot be voted on any matter. In addition, our partnership agreement contains provisions limiting the ability of unitholders to call meetings or to acquire information about our operations, as well as other provisions limiting our unitholders' ability to influence the manner or direction of our management. As a result of this provision, the trading price of our common units may be lower than other forms of equity ownership because of the absence or reduction of a takeover premium in the trading price.

***Our general partner has a limited call right that may require common unitholders to sell their units at an undesirable time or price.***

If at any time our general partner and its affiliates own 85% or more of the common units then outstanding, our general partner will have the right, but not the obligation, which it may assign to any of its affiliates or to us, to acquire all, but not less than all, of the remaining common units held by unaffiliated persons at a price not less than the then current market price. As a result, common unitholders may be required to sell their common units at an undesirable time or price and may therefore not receive any return on their investment. They may also incur a tax liability upon a sale of their units.

***Our common unitholders may not have limited liability if a court finds that limited partner actions constitute control of our business.***

Under Delaware law, common unitholders could be held liable for our obligations to the same extent as a general partner if a court determined that the right of limited partners to remove our general partner or to take other action under our partnership agreement constituted participation in the “control” of our business. Under Delaware law, our general partner generally has unlimited liability for our obligations, such as our debts and environmental liabilities, except for those of our contractual obligations that are expressly made without recourse to our general partner.

The limitations on the liability of holders of limited partner interests for the obligations of a limited partnership have not been clearly established in some of the states in which we do business. You could have unlimited liability for our obligations if a court or government agency determined that:

- we were conducting business in a state, but had not complied with that particular state’s partnership statute; or
- your right to act with other unitholders to remove or replace our general partner, to approve some amendments to our partnership agreement or to take other actions under our partnership agreement constituted “control” of our business.

***Unitholders may have liability to repay distributions.***

Under certain circumstances, our unitholders may have to repay amounts wrongfully returned or distributed to them. Under Section 17-607 of the Delaware Revised Uniform Limited Partnership Act, we may not make a distribution to our unitholders if the distribution would cause our liabilities to exceed the fair value of our assets. Liabilities to partners on account of their partnership interests and liabilities that are non-recourse to the partnership are not counted for purposes of determining whether a distribution is permitted. Delaware law provides that for a period of three years from the date of an impermissible distribution, limited partners who received the distribution and who knew at the time of the distribution that it violated Delaware law will be liable to the limited partnership for the distribution amount. A purchaser of common units who becomes a limited partner is liable for the obligations of the transferring limited partner to make contributions to the partnership that are known to such purchaser of common units at the time it became a limited partner and for unknown obligations if the liabilities could be determined from our partnership agreement.

***Our general partner’s interest in us and the control of our general partner may be transferred to a third-party without unitholder consent.***

Our general partner, in accordance with our partnership agreement, may transfer its general partner interest without the consent of unitholders. In addition, our general partner may transfer its general partner interest to a third-party in a merger or consolidation or in a sale of all or substantially all of its assets without the consent of our unitholders. Furthermore, there is no restriction in our partnership agreement on the ability of the sole member of our general partner to transfer its equity interests in our general partner to a third-party. The new equity owner of our general partner would then be in a position to replace the board of directors and officers of our general partner with their own choices and to influence the decisions taken by the board of directors and officers of our general partner.

**Risks Related to Our Ownership of Energy Transfer Equity and Affiliates**

***We may have to take actions that are disruptive to its business strategy to avoid registration under the Investment Company Act of 1940.***

The Investment Company Act of 1940, or Investment Company Act, requires registration for companies that are engaged primarily in the business of investing, reinvesting, owning, holding or trading in

securities. Registration as an investment company would subject us to restrictions that are inconsistent with its fundamental business strategy.

A company may be deemed to be an investment company if it owns investment securities with a fair value exceeding 40% of the fair value of its total assets (excluding governmental securities and cash items) on an unconsolidated basis, unless an exemption or safe harbor applies. Securities issued by companies other than majority-owned subsidiaries are generally counted as investment securities for purposes of the Investment Company Act. We own noncontrolling equity interests in Energy Transfer Equity and LE GP that could be counted as investment securities. In the event we acquire additional investment securities in the future, or if the fair value of our interests in companies that we do not control were to increase relative to the fair value of our controlled subsidiaries (e.g., Duncan Energy Partners), we might be required to divest some of our non-controlled business interests, or take other action, in order to avoid being classified as an investment company. Similarly, we may be limited in our strategy to make future acquisitions of general partner interests and related limited partner interests to the extent they are counted as investment securities.

If we cease to manage and control Duncan Energy Partners and are deemed to be an investment company under the Investment Company Act of 1940, we may either have to register as an investment company under the Investment Company Act, obtain exemptive relief from the SEC, or modify our organizational structure or our contract rights to fall outside the definition of an investment company. Registering as an investment company could, among other things, materially limit our ability to engage in transactions with affiliates, including the purchase and sale of certain securities or other property to or from our affiliates, restrict our ability to borrow funds or engage in other transactions involving leverage and require us to add additional directors who are independent of us or our affiliates.

Moreover, treatment of us as an investment company would prevent our qualification as a partnership for federal income tax purposes, in which case we would be treated as a corporation for federal income tax purposes. As a result, we would pay federal income tax on our taxable income at the corporate tax rate, distributions to our unitholders would generally be taxed again as corporate distributions and none of our income, gains, losses or deductions available for distribution to unitholders would be substantially reduced. As a result, treatment of us as an investment company would result in a material reduction in distributions to our unitholders, which would materially reduce the value of our common units.

***A reduction in ETP's distributions will disproportionately affect the amount of cash distributions to which Energy Transfer Equity and we are entitled.***

Energy Transfer Equity's indirect ownership of 100% of the incentive distribution rights ("IDRs") in ETP, through its ownership of equity interests in the general partner of ETP, the holder of the IDRs, entitles Energy Transfer Equity to receive its pro rata share of specified percentages of total cash distributions made by ETP as it reaches established target cash distribution levels. Energy Transfer Equity currently receives its pro rata share of cash distributions from ETP based on the highest incremental percentage, 48%, to which the general partner of ETP is entitled pursuant to its IDRs in ETP. A decrease in the amount of distributions by ETP to less than \$0.4125 per ETP common unit per quarter would reduce the general partner of ETP's percentage of the incremental cash distributions above \$0.3175 per ETP common unit per quarter from 48% to 23%. As a result, any such reduction in quarterly cash distributions from ETP would have the effect of disproportionately reducing the amount of all distributions that Energy Transfer Equity receives from ETP based on its ownership interest in the IDRs in ETP as compared to cash distributions Energy Transfer Equity receives from ETP on its general partner interest in ETP (representing a 1.9% and a 1.8% interest as of December 31, 2009 and September 30, 2010, respectively) and its ETP common units. Any such reduction would reduce the amounts that Energy Transfer Equity could distribute to us directly and indirectly through our equity interests in its general partner.

## Tax Risks to Common Unitholders

***Our tax treatment depends on our status as a partnership for federal income tax purposes, as well as our not being subject to a material amount of entity-level taxation by individual states. If the Internal Revenue Service were to treat us as a corporation or if we were to become subject to a material amount of entity-level taxation for state tax purposes, then our cash available for distribution to our common unitholders would be substantially reduced.***

The anticipated after-tax economic benefit of an investment in our common units depends largely on our being treated as a partnership for federal income tax purposes. We have not requested, and do not plan to request, a ruling from the Internal Revenue Service ("IRS") on this matter.

If we were treated as a corporation for federal income tax purposes, we would pay federal income tax on our taxable income at the corporate tax rate, which is currently a maximum of 35%. Distributions to our unitholders would generally be taxed again as corporate distributions, and no income, gains, losses, deductions or credits would flow through to our unitholders. Because a tax would be imposed upon us as a corporation, the cash available for distribution to our common unitholders would be substantially reduced. Thus, treatment of us as a corporation would result in a material reduction in the after-tax return to our common unitholders, likely causing a substantial reduction in the value of our common units.

Current law may change, causing us to be treated as a corporation for federal income tax purposes or otherwise subjecting us to a material amount of entity level taxation. In addition, because of widespread state budget deficits and other reasons, several states are evaluating ways to enhance state-tax collections. If any additional state were to impose an entity-level tax upon us or our operating subsidiaries, the cash available for distribution to our common unitholders would be reduced.

***The tax treatment of publicly traded partnerships or an investment in our common units could be subject to potential legislative, judicial or administrative changes and differing interpretations, possibly on a retroactive basis.***

The present U.S. federal income tax treatment of publicly traded partnerships, including us, or an investment in our common units may be modified by administrative, legislative or judicial interpretation at any time. Any modification to the U.S. federal income tax laws and interpretations thereof may or may not be applied retroactively and could make it more difficult or impossible to meet the exception, which we refer to as the qualifying income exception, for us to be treated as a partnership for U.S. federal income tax purposes that is not taxable as a corporation, affect or cause us to change our business activities, affect the tax considerations of an investment in us, change the character or treatment of portions of our income or adversely affect an investment in our common units. For example, in response to recent public offerings of interests in the management operations of private equity funds and hedge funds, members of Congress are considering substantive changes to the definition of qualifying income under Section 7704 of the Internal Revenue Code and changing the treatment of certain types of income earned from profits or "carried" interests. It is possible that these legislative efforts could result in changes to the existing U.S. tax laws that affect publicly traded partnerships, including us. Although we are unable to predict whether any of these changes or other proposals will ultimately be enacted, and if so, whether any such changes would be applied retroactively, the enactment of any such changes could negatively impact the value of an investment in our common units.

***We prorate our items of income, gain, loss and deduction between transferors and transferees of our common units each month based upon the ownership of our common units on the first day of each month, instead of on the basis of the date a particular common unit is transferred.***

We prorate our items of income, gain, loss and deduction between transferors and transferees of the units each month based upon the ownership of the units on the first day of each month, instead of on the basis of the date a particular unit is transferred. The use of this proration method may not be permitted under existing Treasury Regulations, and, accordingly, our counsel is unable to opine as to the validity of this method. If the IRS were to challenge this method or new Treasury Regulations are issued, we may be required to change the allocation of items of income, gain, loss and deduction among our unitholders.

***A successful IRS contest of the federal income tax positions we take may adversely impact the market for our common units, and the costs of any contests will be borne by our unitholders and our general partner.***

The IRS may adopt positions that differ from the positions we take, even positions taken with advice of counsel. It may be necessary to resort to administrative or court proceedings to sustain some or all of the positions we take. A court may not agree with some or all of the positions we take. Any contest with the IRS may materially and adversely impact the market for our common units and the price at which our common units trade. In addition, the costs of any contest with the IRS, principally legal, accounting and related fees, will result in a reduction in cash available for distribution to our unitholders and our general partner and thus will be borne indirectly by our unitholders and our general partner.

***Even if our common unitholders do not receive any cash distributions from us, they will be required to pay taxes on their share of our taxable income.***

Common unitholders will be required to pay federal income taxes and, in some cases, state and local income taxes on their share of our taxable income, whether or not they receive any cash distributions from us. Our common unitholders may not receive cash distributions from us equal to their share of our taxable income or even equal to the actual tax liability resulting from their share of our taxable income.

***Tax gain or loss on the disposition of our common units could be different than expected.***

If a common unitholder sells its common units, the unitholder will recognize a gain or loss equal to the difference between the amount realized and the unitholder's tax basis in those common units. Prior distributions to a unitholder in excess of the total net taxable income a unitholder is allocated for a common unit, which decreased the unitholder's tax basis in that common unit, will, in effect, become taxable income to the unitholder if the common unit is sold at a price greater than the unitholder's tax basis in that common unit, even if the price the unitholder receives is less than the unitholder's original cost. A substantial portion of the amount realized, whether or not representing gain, may be ordinary income to a unitholder.

***Tax-exempt entities and non-U.S. persons face unique tax issues from owning common units that may result in adverse tax consequences to them.***

Investments in common units by tax-exempt entities, such as individual retirement accounts (known as IRAs), other retirement plans and non-U.S. persons, raise issues unique to them. For example, virtually all of our income allocated to unitholders who are organizations exempt from federal income tax, including IRAs and other retirement plans, will be unrelated business taxable income and will be taxable to them. Distributions to non-U.S. persons will be reduced by withholding taxes at the highest applicable effective tax rate, and non-U.S. persons will be required to file United States federal income tax returns and pay tax on their share of our taxable income.

***We will treat each purchaser of our common units as having the same tax benefits without regard to the units purchased. The IRS may challenge this treatment, which could adversely affect the value of our common units.***

Because we cannot match transferors and transferees of common units, we adopt depreciation and amortization positions that may not conform with all aspects of applicable Treasury Regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to a common unitholder. It also could affect the timing of these tax benefits or the amount of gain from a sale of common units and could have a negative impact on the value of our common units or result in audit adjustments to the common unitholder's tax returns.

***Our common unitholders will likely be subject to state and local taxes and return filing requirements in states where they do not live as a result of an investment in our common units.***

In addition to federal income taxes, our common unitholders will likely be subject to other taxes, including state and local income taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we do business or own property. Our common unitholders will likely

be required to file state and local income tax returns and pay state and local income taxes in some or all of these various jurisdictions. Further, they may be subject to penalties for failure to comply with those requirements. We may own property or conduct business in other states or foreign countries in the future. It is the responsibility of each unitholder to file its own federal, state and local tax returns.

***The sale or exchange of 50% or more of our capital and profits interests during any twelve-month period will result in the termination of our partnership for federal income tax purposes.***

We will be considered to have terminated for federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a twelve-month period. Our termination would, among other things, result in the closing of our taxable year for all unitholders and could result in a deferral of depreciation deductions allowable in computing our taxable income.

***We have adopted certain valuation methodologies that may result in a shift of income, gain, loss and deduction between our general partner and our unitholders. The IRS may challenge this treatment, which could adversely affect the value of our common units.***

When we issue additional common units or engage in certain other transactions, we determine the fair market value of our assets and allocate any unrealized gain or loss attributable to our assets to the capital accounts of our unitholders and our general partner. Our methodology may be viewed as understating the value of our assets. In that case, there may be a shift of income, gain, loss and deduction between certain unitholders and our general partner, which may be unfavorable to such unitholders. Moreover, under this methodology, subsequent purchasers of common units may have a greater portion of their Internal Revenue Code Section 743(b) adjustment allocated to our intangible assets and a lesser portion allocated to our tangible assets. The IRS may challenge our methods, or our allocation of the Section 743(b) adjustment attributable to our tangible and intangible assets, and allocations of income, gain, loss and deduction between our general partner and certain of our unitholders.

A successful IRS challenge to these methods or allocations could adversely affect the amount of taxable income or loss being allocated to our unitholders. It also could affect the amount of gain from a unitholder's sale of common units and could have a negative impact on the value of the common units or result in audit adjustments to the unitholder's tax returns without the benefit of additional deductions.

***A unitholder whose common units are loaned to a "short seller" to cover a short sale of common units may be considered as having disposed of those common units. If so, he would no longer be treated for tax purposes as a partner with respect to those common units during the period of the loan and may recognize gain or loss from the disposition.***

Because a common unitholder whose common units are loaned to a "short seller" to cover a short sale of common units may be considered as having disposed of the loaned units, the unitholder may no longer be treated for tax purposes as a partner with respect to those common units during the period of the loan to the short seller and he may recognize gain or loss from such disposition. Moreover, during the period of the loan to the short seller, any of our income, gain, loss or deduction with respect to those common units may not be reportable by the unitholder and any cash distributions received by the unitholder as to those common units could be fully taxable as ordinary income. Our counsel has not rendered an opinion regarding the treatment of a unitholder whose common units are loaned to a short seller to cover a short sale of common units; therefore, unitholders desiring to assure their status as partners and avoid the risk of gain recognition from a loan to a short seller are urged to modify any applicable brokerage account agreements to prohibit their brokers from borrowing their common units.



ENTERPRISE GP HOLDINGS L.P.  
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of EPE Holdings, LLC and  
Unitholders of Enterprise GP Holdings L.P.  
Houston, Texas

We have audited the accompanying consolidated balance sheets of Enterprise GP Holdings L.P. and subsidiaries (the "Company") as of December 31, 2009 and 2008, and the related statements of consolidated operations, comprehensive income, cash flows, and equity for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits. We did not audit the financial statements of Energy Transfer Equity L.P., an investment of the Company, which is accounted for by the use of the equity method. The Company's equity in Energy Transfer Equity L.P.'s net income of \$77.7 million and \$65.6 million (with both amounts prior to the Company's excess cost amortization – see Note 9) for the years ended December 31, 2009 and 2008, respectively, is included in the accompanying consolidated financial statements. Energy Transfer Equity L.P.'s financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Energy Transfer Equity L.P., is based solely on the report of the other auditors.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Enterprise GP Holdings L.P. and subsidiaries at December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2010 expresses an unqualified opinion on the Company's internal control over financial reporting.

The consolidated financial statements give retroactive effect to the acquisition of TEPPCO Partners, L.P. ("TEPPCO") and Texas Eastern Products Pipeline Company, LLC ("TEPPCO GP") by Enterprise Products Partners L.P. on October 26, 2009, which has been accounted for at historical cost as a reorganization of entities under common control as described in Notes 1 and 11 to the consolidated financial statements. Also, as discussed in Note 1 to the consolidated financial statements, the disclosures in the accompanying consolidated financial statements have been retrospectively adjusted for a change in the composition of reportable segments as a result of the acquisition of TEPPCO and TEPPCO GP by Enterprise Products Partners L.P.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas  
March 1, 2010

**ENTERPRISE GP HOLDINGS L.P.**  
**CONSOLIDATED BALANCE SHEETS**  
(Dollars in millions)

ASSETS	December 31,	
	2009	2008*
<b>Current assets:</b>		
Cash and cash equivalents	\$ 55.3	\$ 56.8
Restricted cash	63.6	203.8
Accounts and notes receivable – trade, net of allowance for doubtful accounts of \$16.8 at December 31, 2009 and \$17.7 at December 31, 2008	3,099.0	1,993.5
Accounts receivable – related parties	38.4	35.2
Inventories	711.9	405.0
Derivative assets	113.8	218.5
Prepaid and other current assets	167.6	151.5
Total current assets	4,249.6	3,064.3
<b>Property, plant and equipment, net</b>	17,689.2	16,732.8
<b>Investments in unconsolidated affiliates</b>	2,416.2	2,510.7
<b>Intangible assets, net of accumulated amortization of \$795.0 at December 31, 2009 and \$675.1 at December 31, 2008</b>	1,064.8	1,182.9
<b>Goodwill</b>	2,018.3	2,019.6
<b>Other assets</b>	248.2	270.1
Total assets	<u>\$ 27,686.3</u>	<u>\$ 25,780.4</u>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable – trade	\$ 410.6	\$ 381.5
Accounts payable – related parties	70.8	17.6
Accrued product payables	3,393.0	1,845.6
Accrued expenses	108.5	65.7
Accrued interest	231.7	197.4
Derivative liabilities	106.1	316.2
Other current liabilities	233.2	292.2
Total current liabilities	4,553.9	3,116.2
<b>Long-term debt</b> (see Note 12)	12,427.9	12,714.9
<b>Deferred tax liabilities</b>	71.7	66.1
<b>Other long-term liabilities</b>	159.7	123.8
<b>Commitments and contingencies</b>		
<b>Equity:</b> (see Note 13)		
Enterprise GP Holdings L.P. partners' equity:		
Limited Partners:		
Units (139,191,640 Units outstanding at December 31, 2009 and 123,191,640 Units outstanding at December 31, 2008)	1,972.4	1,650.5
Class C Units (16,000,000 Class C Units outstanding at December 31, 2008)	--	380.7
General partner	**	**
Accumulated other comprehensive loss	(33.3)	(53.2)
Total Enterprise GP Holdings L.P. partners' equity	1,939.1	1,978.0
Noncontrolling interest	8,534.0	7,781.4
Total equity	10,473.1	9,759.4
Total liabilities and equity	<u>\$ 27,686.3</u>	<u>\$ 25,780.4</u>

\*\* Amount is negligible.

See Notes to Consolidated Financial Statements.

\*See Note 1 for information regarding these recasted amounts and basis of financial statement presentation.

**ENTERPRISE GP HOLDINGS L.P.**  
**STATEMENTS OF CONSOLIDATED OPERATIONS**  
(Dollars in millions, except per unit amounts)

	For Year Ended December 31,		
	2009	2008*	2007*
<b>Revenues:</b>			
Third parties	\$ 24,911.9	\$ 34,454.2	\$ 26,128.6
Related parties	599.0	1,015.4	585.2
Total revenues (see Note 14)	<u>25,510.9</u>	<u>35,469.6</u>	<u>26,713.8</u>
<b>Costs and expenses:</b>			
Operating costs and expenses:			
Third parties	22,547.6	32,861.9	24,938.2
Related parties	1,018.2	757.0	463.9
Total operating costs and expenses	<u>23,565.8</u>	<u>33,618.9</u>	<u>25,402.1</u>
General and administrative costs:			
Third parties	85.6	49.8	48.9
Related parties	97.2	95.0	83.0
Total general and administrative costs	<u>182.8</u>	<u>144.8</u>	<u>131.9</u>
Total costs and expenses	<u>23,748.6</u>	<u>33,763.7</u>	<u>25,534.0</u>
<b>Equity in income of unconsolidated affiliates</b>	<u>92.3</u>	<u>66.2</u>	<u>13.6</u>
<b>Operating income</b>	<u>1,854.6</u>	<u>1,772.1</u>	<u>1,193.4</u>
<b>Other income (expense):</b>			
Interest expense	(687.3 )	(608.3 )	(487.4 )
Interest income	2.3	7.4	11.4
Other, net	(4.0 )	4.9	60.4
Total other expense, net	<u>(689.0 )</u>	<u>(596.0 )</u>	<u>(415.6 )</u>
<b>Income before provision for income taxes</b>	<u>1,165.6</u>	<u>1,176.1</u>	<u>777.8</u>
Provision for income taxes	(25.3 )	(31.0 )	(15.8 )
<b>Net income</b>	<u>1,140.3</u>	<u>1,145.1</u>	<u>762.0</u>
Net income attributable to noncontrolling interest (see Note 13)	(936.2 )	(981.1 )	(653.0 )
<b>Net income attributable to Enterprise GP Holdings L.P.</b>	<u>\$ 204.1</u>	<u>\$ 164.0</u>	<u>\$ 109.0</u>
<b>Net income allocated to:</b> (see Note 13)			
Limited partners	<u>\$ 204.1</u>	<u>\$ 164.0</u>	<u>\$ 109.0</u>
General partner	<u>\$ **</u>	<u>\$ **</u>	<u>\$ **</u>
<b>Earnings per unit:</b> (see Note 17)			
Basic and diluted earnings per unit	<u>\$ 1.48</u>	<u>\$ 1.33</u>	<u>\$ 0.97</u>

\*\* Amount is negligible.

See Notes to Consolidated Financial Statements.  
\*See Note 1 for information regarding these recasted amounts and basis of financial statement presentation.

**ENTERPRISE GP HOLDINGS L.P.**  
**STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME**  
(Dollars in millions)

	For Year Ended December 31,		
	2009	2008*	2007*
<b>Net income</b>	\$ 1,140.3	\$ 1,145.1	\$ 762.0
<b>Other comprehensive income (loss):</b>			
Cash flow hedges:			
Commodity derivative instrument losses during period	(179.6 )	(170.2 )	(46.9 )
Reclassification adjustment for losses included in net income related to commodity derivative instruments	294.2	96.3	9.5
Interest rate derivative instrument gains (losses) during period	12.5	(73.0 )	(18.2 )
Reclassification adjustment for (gains) losses included in net income related to interest rate derivative instruments	26.4	5.5	(6.6 )
Foreign currency derivative gains (losses)	(10.2 )	9.3	1.3
Total cash flow hedges	143.3	(132.1 )	(60.9 )
Foreign currency translation adjustment	2.1	(2.5 )	2.0
Change in funded status of pension and postretirement plans, net of tax	--	(1.3 )	--
Proportionate share of other comprehensive income (loss) of unconsolidated affiliate	2.5	(9.9 )	(3.8 )
Total other comprehensive income (loss)	147.9	(145.8 )	(62.7 )
<b>Comprehensive income</b>	1,288.2	999.3	699.3
Comprehensive income attributable to noncontrolling interest	(1,064.2 )	(866.1 )	(614.3 )
<b>Comprehensive income attributable to Enterprise GP Holdings L.P.</b>	<u>\$ 224.0</u>	<u>\$ 133.2</u>	<u>\$ 85.0</u>

See Notes to Consolidated Financial Statements.

\*See Note 1 for information regarding these recasted amounts and basis of financial statement presentation.

**ENTERPRISE GP HOLDINGS L.P.**  
**STATEMENTS OF CONSOLIDATED CASH FLOWS**  
(Dollars in millions)

	For Year Ended December 31,		
	2009	2008*	2007*
<b>Operating activities:</b>			
Net income	\$ 1,140.3	\$ 1,145.1	\$ 762.0
<i>Adjustments to reconcile net income to net cash flows provided by operating activities:</i>			
Depreciation, amortization and accretion	836.8	740.1	662.8
Non-cash impairment charges	33.5	--	--
Equity in income of unconsolidated affiliates	(92.3 )	(66.2 )	(13.6 )
Distributions received from unconsolidated affiliates	169.3	157.2	116.9
Operating lease expenses paid by EPCO	0.7	2.0	2.1
Gain from asset sales and related transactions	--	(4.0 )	(67.4 )
Loss on forfeiture of investment in Texas Offshore Port System	68.4	--	--
Loss on early extinguishment of debt	--	1.6	1.6
Deferred income tax expense	4.5	6.2	7.6
Changes in fair market value of derivative instruments	(0.9 )	(0.9 )	3.3
Effect of pension settlement recognition	(0.1 )	(0.1 )	0.6
Unamortized debt issuance costs	--	--	3.3
Net effect of changes in operating accounts (see Note 20)	250.1	(414.6 )	457.6
Net cash flows provided by operating activities	<u>2,410.3</u>	<u>1,566.4</u>	<u>1,936.8</u>
<b>Investing activities:</b>			
Capital expenditures	(1,584.3 )	(2,539.6 )	(2,749.1 )
Contributions in aid of construction costs	17.8	27.2	57.7
Decrease (increase) in restricted cash	140.2	(132.8 )	(47.3 )
Cash used for business combinations (see Note 10)	(107.3 )	(553.5 )	(35.9 )
Acquisition of intangible assets	(1.4 )	(5.8 )	(14.5 )
Investments in unconsolidated affiliates	(19.6 )	(64.7 )	(1,921.1 )
Proceeds from asset sales and related transactions	3.6	22.3	169.1
Other investing activities	3.3	--	--
Cash used in investing activities	<u>(1,547.7 )</u>	<u>(3,246.9 )</u>	<u>(4,541.1 )</u>
<b>Financing activities:</b>			
Borrowings under debt agreements	7,494.2	13,255.5	11,416.7
Repayments of debt	(7,766.7 )	(10,514.9 )	(8,652.0 )
Debt issuance costs	(14.9 )	(27.5 )	(39.2 )
Cash distributions paid to partners	(266.7 )	(213.1 )	(159.0 )
Cash distributions paid to noncontrolling interest	(1,322.1 )	(1,182.1 )	(1,073.9 )
Cash contributions from noncontrolling interest	1,014.2	446.4	372.7
Cash contributions from partners	--	--	0.1
Net cash proceeds from issuance of our Units, net	--	--	739.4
Cash distributions paid to former owners of TEPPCO interests	--	--	(29.8 )
Repurchase of restricted units and options by subsidiary	--	--	(1.6 )
Acquisition of treasury units by subsidiary	(2.1 )	(1.9 )	--
Monetization of interest rate derivative instruments (see Note 6)	0.2	(66.5 )	49.1
Cash provided by (used in) financing activities	<u>(863.9 )</u>	<u>1,695.9</u>	<u>2,622.5</u>
Effect of exchange rate changes on cash flows	(0.2 )	(0.5 )	0.4
<b>Net change in cash and cash equivalents</b>	<b>(1.3 )</b>	<b>15.4</b>	<b>18.2</b>
<b>Cash and cash equivalents, January 1</b>	<b>56.8</b>	<b>41.9</b>	<b>23.3</b>
<b>Cash and cash equivalents, December 31</b>	<b>\$ 55.3</b>	<b>\$ 56.8</b>	<b>\$ 41.9</b>

See Notes to Consolidated Financial Statements.

\*See Note 1 for information regarding these recasted amounts and basis of financial statement presentation.

ENTERPRISE GP HOLDINGS L.P.  
STATEMENTS OF CONSOLIDATED EQUITY  
(See Note 13 for Unit History, Detail of Changes in Limited Partners' Equity and Accumulated Other Comprehensive Income (Loss))  
(Dollars in millions)

Enterprise GP Holdings L.P.				
	Limited Partners	General Partner	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest
<b>Balance, December 31, 2006*</b>	\$ 1,418.8	\$ **	\$ 0.5	\$ 7,549.7
Net income	109.0	**	--	653.0
Operating lease expenses paid by EPCO	0.1	--	--	2.0
Cash distributions paid to partners	(159.0 )	**	--	--
Cash distributions to former owners of TEPPCO GP interests	(29.8 )	--	--	--
Net cash proceeds from issuance of Units	739.4	--	--	--
Cash distributions paid to noncontrolling interest	--	--	--	(1,073.9 )
Cash contributions from noncontrolling interest	--	--	--	372.7
Repurchase of restricted units and options by subsidiary	--	--	--	(1.6 )
Amortization of equity awards	0.6	--	--	10.4
Foreign currency translation adjustment	--	--	0.1	1.9
Cash flow hedges	--	--	(19.2 )	(41.7 )
Proportionate share of other comprehensive loss of unconsolidated affiliates	--	--	(3.8 )	--
Other	--	--	0.1	1.0
<b>Balance, December 31, 2007*</b>	2,079.1	**	(22.3 )	7,473.5
Net income	164.0	**	--	981.1
Operating lease expenses paid by EPCO	0.1	--	--	1.9
Cash distributions paid to partners	(213.1 )	**	--	--
Cash distributions paid to noncontrolling interest	--	--	--	(1,182.1 )
Cash contributions from noncontrolling interest	--	--	--	446.4
Acquisition of treasury units by subsidiary	--	--	--	(1.9 )
Issuance of units by subsidiary in connection with an acquisition (see Note 10)	--	--	--	186.6
Amortization of equity awards	1.1	--	--	13.1
Acquisition of additional noncontrolling interests in affiliates	--	--	--	(22.3 )
Change in funded status of pension and postretirement plans, net of tax	--	--	(0.1 )	(1.2 )
Foreign currency translation adjustment	--	--	(0.1 )	(2.4 )
Cash flow hedges	--	--	(20.8 )	(111.3 )
Proportionate share of other comprehensive loss of unconsolidated affiliates	--	--	(9.9 )	--
<b>Balance, December 31, 2008*</b>	2,031.2	**	(53.2 )	7,781.4
Net income	204.1	**	--	936.2
Operating lease expenses paid by EPCO	--	--	--	0.7
Cash distributions paid to partners	(266.7 )	**	--	--
Cash distributions paid to noncontrolling interest	--	--	--	(1,322.1 )
Cash	--	--	--	1,014.2

contributions from noncontrolling interest					
Acquisition of treasury units by subsidiary	--	--	--	(2.1)	)
Deconsolidation of Texas Offshore Port System	--	--	--	(33.4)	)
Acquisition of interest in subsidiary	--	--	--	10.3	
Amortization of equity awards	3.8	--	--	20.8	
Foreign currency translation adjustment	--	--	0.1	2.0	
Cash flow hedges	--	--	17.3	126.0	
Proportionate share of other comprehensive income of unconsolidated affiliates	--	--	2.5	--	
<b>Balance, December 31, 2009</b>	<u>\$ 1,972.4</u>	<u>\$ **</u>	<u>\$ (33.3)</u>	<u>\$ 8,534.0</u>	<u>\$</u>

\*\* Amount is negligible.

See Notes to Consolidated Financial Statements.  
\*See Note 1 for information regarding these recasted amounts and basis of financial statement presentation.

Except per unit amounts, or as noted within the context of each footnote disclosure, the dollar amounts presented in the tabular data within these footnote disclosures are stated in millions of dollars.

**SIGNIFICANT RELATIONSHIPS REFERENCED IN THESE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Unless the context requires otherwise, references to “we,” “us,” “our,” “Enterprise GP Holdings” or the “Partnership” are intended to mean the business and operations of Enterprise GP Holdings L.P. and its consolidated subsidiaries.

References to the “Parent Company” mean Enterprise GP Holdings L.P., individually as the parent company, and not on a consolidated basis. References to “EPE Holdings” mean EPE Holdings, LLC, which is the general partner of the Parent Company and a wholly owned subsidiary of Dan Duncan LLC, the membership interests of which are owned by Dan L. Duncan.

References to “Enterprise Products Partners” mean Enterprise Products Partners L.P., a publicly traded Delaware limited partnership, the common units of which are listed on the New York Stock Exchange (“NYSE”) under the ticker symbol “EPD,” and its consolidated subsidiaries. Enterprise Products Partners has no business activities outside those conducted by its operating subsidiary, Enterprise Products Operating LLC (“EPO”). On October 26, 2009, Enterprise Products Partners completed the mergers of TEPPCO Partners, L.P. (“TEPPCO”) and Texas Eastern Products Pipeline Company, LLC (“TEPPCO GP”) (such related mergers referred to herein individually and together as the “TEPPCO Merger”). References to “EPGP” refer to Enterprise Products GP, LLC, which is the general partner of Enterprise Products Partners. EPGP is owned by the Parent Company.

References to “Duncan Energy Partners” mean Duncan Energy Partners L.P., which is a consolidated subsidiary of EPO. Duncan Energy Partners is a publicly traded Delaware limited partnership, the common units of which are listed on the NYSE under the ticker symbol “DEP.” References to “DEP GP” mean DEP Holdings, LLC, which is the general partner of Duncan Energy Partners and wholly owned by EPO.

References to “Energy Transfer Equity” mean the business and operations of Energy Transfer Equity, L.P. and its consolidated subsidiaries, which include Energy Transfer Partners, L.P. (“ETP”). Energy Transfer Equity is a publicly traded Delaware limited partnership, the common units of which are listed on the NYSE under the ticker symbol “ETE.” ETP is a publicly traded Delaware limited partnership, the common units of which are listed on the NYSE under the ticker symbol “ETP.” The general partner of Energy Transfer Equity is LE GP, LLC (“LE GP”). The Parent Company owns noncontrolling interests in both Energy Transfer Equity and LE GP that it accounts for using the equity method of accounting.

References to “EPCO” mean Enterprise Products Company (formerly EPCO, Inc.) and its privately held affiliates. The Parent Company, EPE Holdings, Enterprise Products Partners, EPO, EPGP, Duncan Energy Partners and DEP GP are affiliates under the common control of Dan L. Duncan, the Group Co-Chairman and controlling shareholder of EPCO. We do not control Energy Transfer Equity or LE GP.

References to “Employee Partnerships” mean EPE Unit L.P. (“EPE Unit I”), EPE Unit II, L.P. (“EPE Unit II”), EPE Unit III, L.P. (“EPE Unit III”), Enterprise Unit L.P. (“Enterprise Unit”) and EPCO Unit L.P. (“EPCO Unit”), collectively, all of which are privately held affiliates of EPCO.

**Note 1. Partnership Organization and Basis of Presentation**

***Partnership Organization***

The Parent Company is a publicly traded Delaware limited partnership, the limited partnership interests (the “Units”) of which are listed on the NYSE under the ticker symbol “EPE.” Our business consists of the ownership of general and limited partner interests of publicly traded partnerships engaged in



the midstream energy industry and related businesses. Our goal is to increase cash distributions to unitholders. The Parent Company is owned 99.99% by its limited partners and 0.01% by its general partner, EPE Holdings.

#### ***Basis of Presentation***

Our consolidated financial statements and business segments were recast in connection with the TEPPCO Merger. On October 26, 2009, the related mergers of wholly owned subsidiaries of Enterprise Products Partners with TEPPCO and TEPPCO GP were completed. Under terms of the merger agreements, TEPPCO and TEPPCO GP became wholly owned subsidiaries of Enterprise Products Partners, and each of TEPPCO's unitholders, except for a privately held affiliate of EPCO, were entitled to receive 1.24 common units of Enterprise Products Partners for each TEPPCO unit. In total, Enterprise Products Partners issued an aggregate of 126,932,318 common units and 4,520,431 Class B units (described below) as consideration in the TEPPCO Merger for both TEPPCO units and the TEPPCO GP membership interests. TEPPCO's un its, which had been trading on the NYSE under the ticker symbol "TPP," have been delisted and are no longer publicly traded. On October 27, 2009, the TEPPCO and TEPPCO GP equity interests were contributed by Enterprise Products Partners to EPO, and TEPPCO and TEPPCO GP became wholly owned subsidiaries of EPO.

A privately held affiliate of EPCO exchanged a portion of its TEPPCO units, based on the 1.24 exchange rate, for 4,520,431 Class B units of Enterprise Products Partners in lieu of common units. The Class B units are not entitled to regular quarterly cash distributions for the first sixteen quarters following the closing date of the merger. The Class B units automatically convert into the same number of common units on the date immediately following the payment date for the sixteenth quarterly distribution following the closing date of the merger. The Class B units are entitled to vote together with the common units as a single class on partnership matters and, except for the payment of distributions, have the same rights and privileges as Enterprise Products Partners' common units.

Under the terms of the TEPPCO Merger agreements, the Parent Company received 1,331,681 common units of Enterprise Products Partners and an increase in the capital account of EPGP to maintain its 2% general partner interest in Enterprise Products Partners as consideration for 100% of the membership interests of TEPPCO GP.

Since Enterprise Products Partners, TEPPCO and TEPPCO GP are under common control of EPCO and its affiliates, the TEPPCO Merger was accounted for at historical costs as a reorganization of entities under common control in a manner similar to a pooling of interests. The inclusion of TEPPCO and TEPPCO GP in our consolidated financial statements was effective January 1, 2005 since an affiliate of EPCO under common control with Enterprise Products Partners originally acquired ownership interests in TEPPCO GP in February 2005.

Our consolidated financial statements prior to the TEPPCO Merger reflect the combined financial information of Enterprise Products Partners, TEPPCO and TEPPCO GP on a 100% basis. Third-party and related party ownership interests in TEPPCO and TEPPCO GP are reflected as "Former owners of TEPPCO," a component of noncontrolling interest.

Our financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The financial statements of TEPPCO and TEPPCO GP were prepared from the separate accounting records maintained by TEPPCO and TEPPCO GP. All intercompany balances and transactions have been eliminated in consolidation.

We revised our business segments and related disclosures to reflect the TEPPCO Merger. Our reorganized business segments reflect the manner in which these businesses are managed and reviewed by the chief executive officer of our general partner. Under our new business segment structure, we have six reportable business segments: (i) NGL Pipelines & Services; (ii) Onshore Natural Gas Pipelines & Services; (iii) Onshore Crude Oil Pipelines & Services; (iv) Offshore Pipelines & Services; (v) Petrochemical & Refined Products Services and (vi) Other Investments.

***General Purpose Consolidated and Parent Company-Only Information.*** In accordance with rules and regulations of the U.S Securities and Exchange Commission (“SEC”) and various other accounting standard-setting organizations, our general purpose financial statements reflect the consolidation of the financial information of businesses that we control through the ownership of general partner interests (e.g., Enterprise Products Partners). Our general purpose consolidated financial statements present those investments in which we do not have a controlling interest as unconsolidated affiliates (e.g., Energy Transfer Equity and LE GP). As presented in our consolidated financial statements, noncontrolling interest reflects third-party and related party ownership of our consolidated subsidiaries, which include the third-party and related party unitholders of Enterprise Products Partners and Duncan Energy Partners other than the Parent Company.

In order for the unitholders of Enterprise GP Holdings L.P. and others to more fully understand the Parent Company’s business and financial statements on a standalone basis, Note 22 includes information devoted exclusively to the Parent Company apart from that of our consolidated Partnership. A key difference between the non-consolidated Parent Company financial information and those of our consolidated Partnership is that the Parent Company views each of its investments (e.g., in Enterprise Products Partners and Energy Transfer Equity) as unconsolidated affiliates and records its share of the net income of each as equity income in the Parent Company income information. In accordance with GAAP, we eliminate the equity income related to Enterprise Products Partners in the preparation of our consolidated financial statements.

***Presentation of Investments.*** The Parent Company owns common units of Enterprise Products Partners and 100% of the membership interests of EPGP, which is entitled to 2% of the cash distributions paid by Enterprise Products Partners as well as the associated incentive distribution rights (“IDRs”) of Enterprise Products Partners. At December 31, 2009 and 2008, the Parent Company owned 21,167,783 and 13,670,925 common units, respectively, of Enterprise Products Partners.

The Parent Company owns 38,976,090 common units of Energy Transfer Equity. In addition, at December 31, 2009 and 2008, the Parent Company owned approximately 40.6% and 34.9%, respectively, of the membership interests of LE GP. Energy Transfer Equity owns limited partner interests and the general partner interest of ETP. We account for our investments in Energy Transfer Equity and LE GP using the equity method of accounting. See Note 9 for additional information regarding these unconsolidated affiliates.

In May 2007, private company affiliates of EPCO contributed equity interests in TEPPCO and TEPPCO GP to the Parent Company. As a result of such contributions, the Parent Company owned 4,400,000 units of TEPPCO and all of the membership interests of TEPPCO GP, which was entitled to 2% of the cash distributions of TEPPCO as well as the IDRs of TEPPCO. On October 26, 2009, the TEPPCO Merger was completed and TEPPCO and TEPPCO GP became wholly owned subsidiaries of Enterprise Products Partners. As a result, the Parent Company’s ownership interests in the TEPPCO units were converted to 5,456,000 common units of Enterprise Products Partners. In addition, the Parent Company’s membership interests in TEPPCO GP were exchanged for (i) 1,331,681 common units of Enterprise Products Partners and (ii) EPGP (on behalf of the Parent Company as a wholly owned subsidiary of the Parent Company) was credited in its Enterprise Products Partners’ capital account an amount to maintain its 2% general partner interest in Enterprise Products Partners.

## **Note 2. Summary of Significant Accounting Policies**

### ***Allowance for Doubtful Accounts***

Our allowance for doubtful accounts is determined based on specific identification and estimates of future uncollectible accounts. Our procedure for determining the allowance for doubtful accounts is based on: (i) historical experience with customers, (ii) the perceived financial stability of customers based on our research and (iii) the levels of credit we grant to customers. In addition, we may increase the allowance account in response to the specific identification of customers involved in bankruptcy

proceedings and similar financial difficulties. On a routine basis, we review estimates associated with the allowance for doubtful accounts to ensure that we have recorded sufficient reserves to cover potential losses. Our allowance also includes estimates for uncollectible natural gas imbalances based on specific identification of accounts.

The following table presents the activity of our allowance for doubtful accounts for the periods indicated:

	<b>For Year Ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
Balance at beginning of period	\$ 17.7	\$ 21.8	\$ 23.5
Charges to expense	0.1	3.5	2.6
Payments	(1.0 )	(7.6 )	(4.3 )
Balance at end of period	<u>\$ 16.8</u>	<u>\$ 17.7</u>	<u>\$ 21.8</u>

See "Credit Risk Due to Industry Concentrations" in Note 19 for additional information.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents represent unrestricted cash on hand and highly liquid investments with original maturities of less than three months from the date of purchase.

#### ***Consolidation Policy***

Our consolidated financial statements include our accounts and those of our majority-owned subsidiaries in which we have a controlling interest, after the elimination of all intercompany accounts and transactions. We also consolidate other entities and ventures in which we possess a controlling financial interest as well as partnership interests where we are the sole general partner of the partnership. We evaluate our financial interests in business enterprises to determine if they represent variable interest entities where we are the primary beneficiary. If such criteria are met, we consolidate the financial statements of such businesses with those of our own. Third-party or affiliate ownership interests in our controlled subsidiaries are presented as noncontrolling interests. See Note 13 for information regarding noncontrolling interest.

If the entity is organized as a limited partnership or limited liability company and maintains separate ownership accounts, we account for our investment using the equity method if our ownership interest is between 3% and 50% and we exercise significant influence over the entity's operating and financial policies. For all other types of investments, we apply the equity method of accounting if our ownership interest is between 20% and 50% and we exercise significant influence over the entity's operating and financial policies. In consolidation, we eliminate our proportionate share of profits and losses from transactions with equity method unconsolidated affiliates to the extent such amounts remain on our Consolidated Balance Sheets (or those of our equity method investments) in inventory or similar accounts.

If our ownership interest in an entity does not provide us with either control or significant influence we account for the investment using the cost method.

#### ***Contingencies***

Certain conditions may exist as of the date our financial statements are issued, which may result in a loss to us but which will only be resolved when one or more future events occur or fail to occur. Our management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise in judgment. In assessing loss contingencies related to legal proceedings that are pending against us or unasserted claims that may result in proceedings, our management and legal counsel evaluate the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of liability can be estimated, then the estimated liability would be accrued in our financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss (if determinable and material), is disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed.

#### ***Current Assets and Current Liabilities***

We present, as individual captions in our Consolidated Balance Sheets, all components of current assets and current liabilities that exceed 5% of total current assets and liabilities, respectively.

#### ***Deferred Revenues***

Amounts billed in advance of the period in which the service is rendered or product delivered are recorded as deferred revenue. At December 31, 2009 and 2008, deferred revenues totaled \$106.8 million and \$118.5 million, respectively, and were recorded as a component of other current and long-term liabilities, as appropriate, on our Consolidated Balance Sheets. See Note 4 for information regarding our revenue recognition policies.

#### ***Derivative Instruments***

We use derivative instruments such as swaps, forwards and other contracts to manage price risks associated with inventories, firm commitments, interest rates, foreign currency and certain anticipated transactions. To qualify for hedge accounting, the item to be hedged must expose us to risk and the related derivative instrument must reduce that exposure and meet specific documentation requirements. We formally designate a derivative instrument as a hedge and document and assess the effectiveness of the hedge at inception and thereafter on a quarterly basis. We also apply the normal purchases/normal sales exception for certain of our derivative instruments, which precludes the recognition of changes in mark-to-market value for these items on the balance sheet or income statement. Revenues and costs for these transactions are recognized when volumes are physically delivered or received. See Note 6 for additional information regarding our derivative instruments and related hedging activities.

#### ***Earnings Per Unit***

Earnings per unit ("EPU") is based on the amount of income allocated to limited partners and the weighted-average number of units outstanding during the period. See Note 17 for additional information regarding our earnings per unit.

#### ***Environmental Costs***

Environmental costs for remediation are accrued based on estimates of known remediation requirements. Such accruals are based on management's best estimate of the ultimate cost to remediate a site and are adjusted as further information and circumstances develop. Those estimates may change substantially depending on information about the nature and extent of contamination, appropriate remediation technologies and regulatory approvals. Expenditures to mitigate or prevent future environmental contamination are capitalized. Ongoing environmental compliance costs are charged to expense as incurred. In accruing for environmental remediation liabilities, costs of future expenditures for environmental remediation are not discounted to their present value, unless the amount and timing of the expenditures are fixed or reliably determinable. At December 31, 2009, none of our estimated environmental remediation liabilities were discounted to present value since the ultimate amount and timing of cash payments for such liabilities were not readily determinable.

The following table presents the activity of our environmental reserves for the periods indicated:

	For Year Ended December 31,					
	2009		2008		2007	
Balance at beginning of period	\$	22.3	\$	30.5	\$	26.0
Charges to expense		1.9		3.1		4.2
Acquisition-related additions and other		--		2.9		6.7
Payments		(5.1 )		(8.3 )		(6.1 )
Adjustments		(2.4 )		(5.9 )		(0.3 )
Balance at end of period	\$	16.7	\$	22.3	\$	30.5

At December 31, 2009 and 2008, \$6.4 million and \$5.3 million, respectively, of our environmental reserves were classified as current liabilities.

**Equity Awards**

See Note 5 for information regarding our accounting for equity awards.

**Estimates**

Preparing our financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts presented in the financial statements (i.e. assets, liabilities, revenue and expenses) and disclosures about contingent assets and liabilities. Our actual results could differ from these estimates. On an ongoing basis, management reviews its estimates based on currently available information. Changes in facts and circumstances may result in revised estimates.

**Exchange Contracts**

Exchanges are contractual agreements for the movements of natural gas liquids (“NGLs”) and certain petrochemical products between parties to satisfy timing and logistical needs of the parties. Net exchange volumes borrowed from us under such agreements are valued at market-based prices and included in accounts receivable. Net exchange volumes loaned to us under such agreements are valued at market-based prices and accrued as a liability in accrued product payables.

Receivables and payables arising from exchange transactions are settled with movements of products rather than with cash. When payment or receipt of monetary consideration is required for product differentials and service costs, such items are recognized in our consolidated financial statements on a net basis.

**Fair Value Information**

Cash and cash equivalents and restricted cash, accounts receivable, accounts payable and accrued expenses, and other current liabilities are carried at amounts which reasonably approximate their fair values due to their short-term nature. The estimated fair values of our fixed-rate debt are based on quoted market prices for such debt or debt of similar terms and maturities. The carrying amounts of our variable-rate debt obligations reasonably approximate their fair values due to their variable interest rates. See Note 6 for fair value information associated with our derivative instruments.

The following table presents the estimated fair values of our financial instruments at the dates indicated:

Financial Instruments	December 31, 2009		December 31, 2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial assets:</b>				
Cash and cash equivalents and restricted cash	\$ 118.9	\$ 118.9	\$ 260.6	\$ 260.6
Accounts receivable	3,137.4	3,137.4	2,028.7	2,028.7
<b>Financial liabilities:</b>				
Accounts payable and accrued expenses	4,214.6	4,214.6	2,507.8	2,507.8
Other current liabilities	233.2	233.2	292.2	292.2
Fixed-rate debt (principal amount)	10,586.7	11,056.2	9,704.3	8,192.2
Variable-rate debt	1,791.8	1,791.8	2,935.5	2,935.5

**Foreign Currency Translation**

We own an NGL marketing business located in Canada. The financial statements of this foreign subsidiary are translated into U.S. dollars from the Canadian dollar, which is the subsidiary's functional currency, using the current rate method. Its assets and liabilities are translated at the rate of exchange in effect at the balance sheet date, while revenue and expense items are translated at average rates of exchange during the reporting period. Exchange gains and losses arising from foreign currency translation adjustments are reflected as separate components of accumulated other comprehensive loss ("AOCI") in the accompanying Consolidated Balance Sheets. Our net cash flows from this Canadian subsidiary may be adversely affected by changes in foreign currency exchange rates. See Note 6 for information regarding our foreign currency derivative instruments.

**Impairment Testing for Goodwill**

Our goodwill amounts are assessed for impairment (i) on a routine annual basis or (ii) when impairment indicators are present. If such indicators occur (e.g., the loss of a significant customer, economic obsolescence of plant assets, etc.), the estimated fair value of the reporting unit to which the goodwill is assigned is determined and compared to its book value. If the fair value of the reporting unit exceeds its book value including associated goodwill amounts, the goodwill is considered to be unimpaired and no impairment charge is required. If the fair value of the reporting unit is less than its book value including associated goodwill amounts, a charge to earnings is recorded to reduce the carrying value of the goodwill to its implied fair value. See Note 6 for information regarding impairment charges related to goodwill during 2009.

**Impairment Testing for Long-Lived Assets**

Long-lived assets (including intangible assets with finite useful lives and property, plant and equipment) are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

Long-lived assets with carrying values that are not expected to be recovered through future cash flows are written-down to their estimated fair values. The carrying value of a long-lived asset is deemed not recoverable if it exceeds the sum of undiscounted cash flows expected to result from the use and eventual disposition of the asset. If the asset carrying value exceeds the sum of its undiscounted cash flows, a non-cash asset impairment charge equal to the excess of the asset's carrying value over its estimated fair value is recorded. Fair value is defined as the amount at which an asset or liability could be bought or settled in an arm's length transaction. We measure fair value using market price indicators or, in the absence of such data, appropriate valuation techniques. See Note 6 for information regarding impairment charges related to long-lived assets during 2009.

***Impairment Testing for Unconsolidated Affiliates***

We evaluate our equity method investments for impairment when events or changes in circumstances indicate that there is a loss in value of the investment attributable to an other than temporary decline. Examples of such events or changes in circumstances include continuing operating losses of the entity and/or long-term negative changes in the entity's industry. In the event we determine that the loss in value of an investment is other than a temporary decline, we record a charge to equity earnings to adjust the carrying value of the investment to its estimated fair value. See Note 9 for information regarding impairment charges related to our unconsolidated affiliates during 2007.

***Income Taxes***

Provision for income taxes is primarily applicable to our state tax obligations under the Revised Texas Franchise Tax and certain federal and state tax obligations of Seminole Pipeline Company ("Seminole") and Dixie Pipeline Company ("Dixie"), both of which are consolidated subsidiaries of ours. Deferred income tax assets and liabilities are recognized for temporary differences between the assets and liabilities of our tax paying entities for financial reporting and tax purposes.

Since we are structured as a pass-through entity, we are not subject to federal income taxes. As a result, our partners are individually responsible for paying federal income taxes on their share of our taxable income. Since we do not have access to information regarding each partner's tax basis, we cannot readily determine the total difference in the basis of our net assets for financial and tax reporting purposes.

We must recognize the tax effects of any uncertain tax positions we may adopt, if the position taken by us is more likely than not sustainable. If a tax position meets such criteria, the tax effect to be recognized by us would be the largest amount of benefit with more than a 50% chance of being realized upon settlement. See Note 16 for additional information regarding our income taxes.

***Inventories***

Inventories primarily consist of natural gas, NGLs, crude oil, refined products, lubrication oils and certain petrochemical products that are valued at the lower of average cost or market ("LCM"). We capitalize, as a cost of inventory, shipping and handling charges associated with such purchase volumes, terminal storage fees, vessel inspection costs, demurrage charges and other related costs. As volumes are sold and delivered out of inventory, the cost of these volumes (including freight-in charges that have been capitalized as part of inventory cost) are charged to operating costs and expenses. Shipping and handling fees associated with products we sell and deliver to customers are charged to operating costs and expenses as incurred. See Note 7 for additional information regarding our inventories.

***Natural Gas Imbalances***

In the natural gas pipeline transportation business, imbalances frequently result from differences in natural gas volumes received from and delivered to our customers. Such differences occur when a customer delivers more or less gas into our pipelines than is physically redelivered back to them during a particular time period. We have various fee-based agreements with customers to transport their natural gas through our pipelines. Our customers retain ownership of their natural gas shipped through our pipelines. As such, our pipeline transportation activities are not intended to create physical volume differences that would result in significant accounting or economic events for either our customers or us during the course of the arrangement.

We settle pipeline gas imbalances through either (i) physical delivery of in-kind gas or (ii) in cash. These settlements follow contractual guidelines or common industry practices. As imbalances occur, they may be settled: (i) on a monthly basis, (ii) at the end of the agreement or (iii) in accordance with industry practice, including negotiated settlements. Certain of our natural gas pipelines have a regulated tariff rate mechanism requiring customer imbalance settlements each month at current market prices.

However, the vast majority of our settlements are through in-kind arrangements whereby incremental volumes are delivered to or received from a customer. Such in-kind deliveries are ongoing and take place over several periods. In some cases, settlements of imbalances built up over a period of time are ultimately cashed out and are generally negotiated at values which approximate average market prices over a period of time. For those gas imbalances that are ultimately settled over future periods, we estimate the value of such current assets and liabilities using average market prices, which we believe is representative of the value of the imbalances upon final settlement. Changes in natural gas prices may impact our estimates.

The following table presents our natural gas imbalance receivables/payables at the dates indicated:

	December 31,			
	2009		2008	
Natural gas imbalance receivables (1)	\$	24.1	\$	63.4
Natural gas imbalance payables (2)		19.0		50.8

(1) Reflected as a component of "Accounts and notes receivable – trade" on our Consolidated Balance Sheets.

(2) Reflected as a component of "Accrued product payables" on our Consolidated Balance Sheets.

#### **Property, Plant and Equipment**

Property, plant and equipment is recorded at cost. Expenditures for additions, improvements and other enhancements to property, plant and equipment are capitalized and minor replacements, maintenance, and repairs that do not extend asset life or add value are charged to expense as incurred. When property, plant and equipment assets are retired or otherwise disposed of, the related cost and accumulated depreciation is removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period.

In general, depreciation is the systematic and rational allocation of an asset's cost, less its residual value (if any), to the periods it benefits. The majority of our property, plant and equipment is depreciated using the straight-line method, which results in depreciation expense being incurred evenly over the life of the assets. Our estimate of depreciation incorporates assumptions regarding the useful economic lives and residual values of our assets. At the time we place our assets in service, we believe such assumptions are reasonable. Under our depreciation policy for midstream energy assets, the remaining economic lives of such assets are limited to the estimated life of the natural resource basins (based on proved reserves at the time of the analysis) from which such assets derive their throughput or processing volumes. Our forecast of the remaining life for the applicable resource basins is based on several factors, including information published by the U.S. Energy Information Administration. Where appropriate, we use other depreciation methods (generally accelerated) for tax purposes.

Leasehold improvements are recorded as a component of property, plant and equipment. The cost of leasehold improvements is charged to earnings using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements. We consider renewal terms that are deemed reasonably assured when estimating remaining lease terms.

Our assumptions regarding the useful economic lives and residual values of our assets may change in response to new facts and circumstances, which would change our depreciation amounts prospectively. Examples of such circumstances include, but are not limited to: (i) changes in laws and regulations that limit the estimated economic life of an asset; (ii) changes in technology that render an asset obsolete; (iii) changes in expected salvage values; or (iv) significant changes in the forecast life of proved reserves of applicable resource basins, if any. See Note 8 for additional information regarding our property, plant and equipment.

Certain of our plant operations entail periodic planned outages for major maintenance activities. These planned shutdowns typically result in significant expenditures, which are principally comprised of amounts paid to third parties for materials, contract services and related items. We use the expense-as-



incurred method for our planned major maintenance activities; however, the cost of annual planned major maintenance projects are deferred and recognized ratably over the remaining portion of the calendar year in which such projects occur.

Asset retirement obligations (“AROs”) are legal obligations associated with the retirement of tangible long-lived assets that result from their acquisition, construction, development and/or normal operation. When an ARO is incurred, we record a liability for the ARO and capitalize an equal amount as an increase in the carrying value of the related long-lived asset. Over time, the liability is accreted to its present value (accretion expense) and the capitalized amount is depreciated over the remaining useful life of the related long-lived asset. We will incur a gain or loss to the extent that our ARO liabilities are not settled at their recorded amounts.

#### ***Restricted Cash***

Restricted cash represents amounts held in connection with our commodity derivative instruments portfolio and related physical natural gas and NGL purchases. Additional cash may be restricted to maintain this portfolio as commodity prices fluctuate or deposit requirements change. At December 31, 2009 and 2008, our restricted cash amounts were \$63.6 million and \$203.8 million, respectively. See Note 6 for information regarding derivative instruments and hedging activities.

#### ***Revenue Recognition***

In general, we recognize revenue from our customers when all of the following criteria are met: (i) persuasive evidence of an exchange arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the buyer’s price is fixed or determinable and (iv) collectability is reasonably assured. See Note 4 for additional information regarding our revenue recognition policies.

### **Note 3. Recent Accounting Developments**

The accounting standard setting bodies have recently issued the following guidance that will or may affect our future financial statements:

***Fair Value Measurements.*** In January 2010, the Financial Accounting Standards Board (“FASB”) issued new guidance to improve disclosures about fair value measurements. This new guidance requires the following:

§ Effective with the first quarter of 2010, additional disclosures will be required regarding the reporting of transfers of fair value information between the three levels of the fair value hierarchy (i.e., Levels 1, 2 and 3).

§ Effective with the first quarter of 2011, companies will need to present purchases, sales, issuances and settlements whose fair values are based on unobservable inputs on a gross basis.

Other than requiring enhanced fair value disclosures, we do not expect our adoption of this guidance will have a material impact on our consolidated financial statements.

***Consolidation of Variable Interest Entities.*** In June 2009, the FASB amended its consolidation guidance regarding variable interest entities. In general, this new guidance places more emphasis on a qualitative analysis, rather than a purely quantitative approach, in determining which company should consolidate a variable interest entity. Our adoption of this guidance on January 1, 2010 did not have any impact on our consolidated financial statements.

**Note 4. Revenue Recognition**

The following information provides a general description of our underlying revenue recognition policies by business segment:

***NGL Pipelines & Services***

Our NGL Pipelines & Services include our (i) natural gas processing business and related NGL marketing activities; (ii) NGL pipelines aggregating approximately 16,300 miles; (iii) NGL and related product storage and terminal facilities and (iv) NGL fractionation facilities. This segment also includes our import and export terminal operations.

In our natural gas processing business, we enter into percent-of-liquids contracts, percent-of-proceeds contracts, fee-based contracts, hybrid-contracts (i.e. a combination of percent-of-liquids and fee-based contract terms), keepwhole contracts and margin-band contracts. Under keepwhole and margin-band contracts, we take ownership of mixed NGLs extracted from the producer's natural gas stream and recognize revenue when the extracted NGLs are delivered and sold to customers under NGL marketing sales contracts. In the same way, revenue is recognized under our percent-of-liquids contracts except that the volume of NGLs we extract and sell is less than the total amount of NGLs extracted from the producers' natural gas. Under a percent-of-liquids contract, the producer retains title to the remaining percentage of mixed NGLs we extract. Under a percent-of-proceeds contract, we share in the proceeds generated from the sale of the mixed NGLs we extract on the producer's behalf. If a cash fee for natural gas processing services is stipulated by the contract, we record revenue when the natural gas has been processed and delivered to the producer.

Our NGL marketing activities generate revenues from the sale and delivery of NGLs obtained through our processing activities and spot and contract purchases from third parties. Revenues from these sales contracts are recognized when the NGLs are delivered to customers. In general, sales prices referenced in these contracts are market-based and may include pricing differentials for such factors as delivery location.

Under our NGL pipeline transportation contracts and tariffs, revenue is recognized when volumes have been delivered to customers. Revenue from these contracts and tariffs is generally based upon a fixed fee per gallon of liquids transported multiplied by the volume delivered. Transportation fees charged under these arrangements are either contractual or regulated by governmental agencies such as the Federal Energy Regulatory Commission ("FERC").

We collect storage revenues under our NGL and related product storage contracts based on the number of days a customer has volumes in storage multiplied by a storage rate (as defined in each contract). Under these contracts, revenue is recognized ratably over the length of the storage period. With respect to capacity reservation agreements, we collect a fee for reserving storage capacity for certain customers in our underground storage wells. Under these agreements, revenue is recognized ratably over the specified reservation period. Excess storage fees are collected when customers exceed their reservation amounts and are recognized in the period of occurrence. In addition, we charge other customers throughput fees based on volumes delivered into and subsequently withdrawn from storage, which are recognized as the service is provided.

We enter into fee-based arrangements and percent-of-liquids contracts for the NGL fractionation services we provide to customers. Under such fee-based arrangements, revenue is recognized in the period services are provided. Such fee-based arrangements typically include a base-processing fee (usually stated in cents per gallon) that is contractually subject to adjustment for changes in certain fractionation expenses (e.g. natural gas fuel costs). Certain of our NGL fractionation facilities generate revenues using percent-of-liquids contracts. Such contracts allow us to retain a contractually determined percentage of the customer's fractionated NGL products as payment for services rendered. Revenue is recognized from such arrangements when we sell and deliver the retained NGLs to customers.

Revenues from product terminaling activities are recorded in the period such services are provided. Customers are typically billed a fee per unit of volume loaded or unloaded. With respect to our export terminal operations, revenues may also include demand payments charged to customers who reserve the use of our export facilities and later fail to use them. Demand fee revenues are recognized when the customer fails to utilize the specified export facility as required by contract.

#### ***Onshore Natural Gas Pipelines & Services***

Our Onshore Natural Gas Pipelines & Services include approximately 19,200 miles of onshore natural gas pipeline systems that provide for the gathering and transportation of natural gas in Alabama, Colorado, Louisiana, Mississippi, New Mexico, Texas and Wyoming. We own two salt dome natural gas storage facilities located in Mississippi and lease natural gas storage facilities located in Texas and Louisiana. This segment also includes our natural gas marketing activities.

Our onshore natural gas pipelines typically generate revenues from transportation agreements where shippers are billed a fee per unit of volume transported (typically per million British thermal units, or “MMBtu”) multiplied by the volume gathered or delivered. The transportation fees charged under these arrangements are either contractual or regulated by governmental agencies, including the FERC. Certain of our onshore natural gas pipelines offer firm capacity reservation services whereby the shipper pays a contractually stated fee based on the level of throughput capacity reserved in our pipelines whether or not the shipper actually utilizes such capacity. Revenues under firm capacity reservation agreements are recognized in the period the services are provided.

Revenues from natural gas storage contracts typically have two components: (i) monthly demand payments, which are associated with a customer’s storage capacity reservations, and (ii) storage fees per unit of volume stored at our facilities. Revenues from demand payments are recognized during the period the customer reserves capacity. Revenues from storage fees are recognized in the period the services are provided.

Our natural gas marketing activities generate revenues from the sale and delivery of natural gas purchased from third parties on the open market. Revenues from these sales contracts are recognized when the natural gas is delivered to customers. In general, sales prices referenced in these contracts are market-based and may include pricing differentials for such factors as delivery location.

#### ***Onshore Crude Oil Pipelines & Services***

Our Onshore Crude Oil Pipelines & Services include approximately 4,400 miles of onshore crude oil pipelines and 10.5 million barrels (“MMBbls”) of above-ground storage tank capacity. This segment includes our crude oil marketing activities.

Revenue from crude oil transportation is generally based upon a fixed fee per barrel transported multiplied by the volume delivered. The transportation fees charged under these arrangements are either contractual or regulated by governmental agencies, including the FERC. Revenues associated with these arrangements are recognized when volumes have been delivered.

Under our crude oil terminaling agreements, we charge customers for crude oil storage based on the number of days a customer has volumes in storage multiplied by a contractual storage rate. Under these contracts, revenue is recognized ratably over the length of the storage period. With respect to storage capacity reservation agreements, we collect a fee for reserving storage capacity for customers at our terminals. Under these agreements, revenue is recognized ratably over the specified reservation period. In addition, we charge our customers throughput (or “pumpover”) fees based on volumes withdrawn from our terminals. Crude oil storage revenues are recognized ratably over the length of the storage period. Revenues are also generated from fee-based trade documentation services and are recognized as services are completed.

Our crude oil marketing activities generate revenues from the sale and delivery of crude oil obtained from producers or on the open market. These sales contracts generally settle with the physical delivery of crude oil to customers. In general, the sales prices referenced in these contracts are market-based and may include pricing differentials for such factors as delivery location.

#### ***Offshore Pipelines & Services***

Our Offshore Pipelines & Services include our (i) offshore natural gas pipelines, (ii) offshore Gulf of Mexico crude oil pipeline systems and (iii) six multi-purpose offshore hub platforms which serve production areas including some of the most active drilling and development regions in the Gulf of Mexico.

Revenues from our offshore pipelines are derived from fee-based agreements whereby the customer is charged a fee per unit of volume gathered or transported (typically per MMBtu of natural gas or per barrel of crude oil) multiplied by the volume delivered. Revenues associated with these fee-based contracts and tariffs are recognized when volumes have been delivered.

Revenues from offshore platform services generally consist of demand fees and commodity charges. Revenues from platform services are recognized in the period the services are provided. Demand fees represent charges to customers served by our offshore platforms regardless of the volume the customer actually delivers to the platform. Revenues from commodity charges are based on a fixed-fee per unit of volume delivered to the platform (typically per million cubic feet of natural gas or per barrel of crude oil) multiplied by the total volume of each product delivered. Contracts for platform services often include both demand fees and commodity charges, but demand fees generally expire after a contractually fixed period of time and in some instances may be subject to cancellation by customers. Our Independence Hub offshore platform earns a significant amount of demand revenues. The Independence Hub platform will earn \$54.6 million of demand fees annually through March 2012.

#### ***Petrochemical & Refined Products Services***

Our Petrochemical & Refined Products Services consist of (i) propylene fractionation plants and related activities, (ii) butane isomerization facilities, (iii) an octane enhancement facility, (iv) refined products pipelines, including our Products Pipeline System, and related activities and (v) marine transportation assets and other services.

Our propylene fractionation and butane isomerization facilities generate revenues through fee-based arrangements, which typically include a base-processing fee per gallon (or other unit of measurement) subject to adjustment for changes in natural gas, electricity and labor costs, which are the primary costs of propylene fractionation and butane isomerization. Revenues resulting from such agreements are recognized in the period the services are provided.

Our petrochemical marketing activities generate revenues from the sale and delivery of products obtained through our propylene fractionation activities and purchases of petrochemical products from third parties on the open market. Revenues from these sales contracts are recognized when such products are delivered to customers. In general, we sell our petrochemical products at market-based prices, which may include pricing differentials for such factors as delivery location.

Our refined products pipelines, including our Products Pipeline System, generate revenues through fee-based contracts or tariffs as customers are billed a fixed fee per barrel of liquids transported multiplied by the volume delivered. Transportation fees charged under these arrangements are either contractual or regulated by governmental agencies, including the FERC. Revenues associated with these fee-based contracts and tariffs are recognized when volumes have been delivered. Revenues from our refined products storage facilities are based on the number of days a customer has volumes in storage multiplied by a contractual storage rate. Under these contracts, revenue is recognized ratably over the length of the storage period. Revenues from product terminaling activities are recorded in the period such services are provided. Customers are typically billed a fee per unit of volume loaded.

Revenue is also generated from the provision of inland and offshore transportation of refined products, crude oil, condensate, asphalt, heavy fuel oil and other heated oil products via tow boats and tank barges. Under our marine services transportation contracts, revenue is recognized over the transit time of individual tows as determined on an individual contract basis, which is generally less than ten days in duration. Revenue from these contracts is typically based on set day rates or a set fee per cargo movement. Most of the marine services transportation contracts include escalation provisions to recover increased operating costs such as incremental increases in labor. The costs of fuel, substantially all of which is a pass through expense, and other specified operational fees and costs are directly reimbursed by the customer under most of the contracts.

The results of operations from the distribution of lubrication oils and specialty chemicals and the bulk transportation of fuels are dependent on the sales price or transportation fees that we charge our customers. Revenue is recognized for sales transactions and transportation arrangements when the product is delivered.

**Note 5. Equity-based Awards**

The following table summarizes the expense we recognized in connection with equity-based awards for the periods presented:

	<b>For Year Ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
Restricted unit awards (1)	\$ 13.6	\$ 11.3	\$ 8.9
Unit option awards (1)	2.0	0.7	4.5
Unit appreciation rights (2)	--	--	0.2
Phantom units (2)	0.2	(0.5)	2.3
Profits interests awards (1)	9.2	6.6	4.4
Total compensation expense	<u>\$ 25.0</u>	<u>\$ 18.1</u>	<u>\$ 20.3</u>

- (1) Accounted for as equity-classified awards.
- (2) Accounted for as liability-classified awards.

The fair value of an equity-classified award (e.g., a restricted unit award) is amortized to earnings on a straight-line basis over the requisite service or vesting period. Compensation expense for liability-classified awards (e.g., unit appreciation rights ("UARs")) is recognized over the requisite service or vesting period of an award based on the fair value of the award remeasured at each reporting period. Liability-classified awards are settled in cash upon vesting.

At December 31, 2009, our active long-term incentive plans are the Enterprise Products 1998 Long-Term Incentive Plan ("1998 Plan"), the TEPPCO 1999 Phantom Unit Retention Plan ("1999 Plan"), the Enterprise Products 2006 TPP Long-Term Incentive Plan ("2006 Plan") and the Amended and Restated 2008 Enterprise Products Long-Term Incentive Plan ("2008 Plan"). Two plans were dissolved during 2009: TEPPCO 2000 Long-Term Incentive Plan ("2000 Plan") and TEPPCO 2005 Phantom Unit Plan ("2005 Plan").

The 1998 Plan provides for awards of Enterprise Products Partners' common units and other rights to our non-employee directors and to employees of EPCO and its affiliates providing services to us. Awards under the 1998 Plan may be granted in the form of unit options, restricted units, phantom units, UARs and distribution equivalent rights ("DERs"). Up to 7,000,000 of Enterprise Products Partners' common units may be issued as awards under the 1998 Plan. After giving effect to awards granted under the plan through December 31, 2009, a total of 652,543 additional common units could be issued.

The 1999 Plan provided key employees of EPCO who work on our behalf with phantom unit awards. This plan terminated in January 2010.

The 2006 Plan currently provides for awards of Enterprise Products Partners' common units (formerly of TEPPCO units) and other rights to our non-employee directors and to employees of EPCO and its affiliates providing services to us. Awards under the 2006 Plan may be granted in the form of unit options, restricted units, phantom units, UARs and DERs. Effective upon the consummation of the TEPPCO Merger (see Note 1), Enterprise Products Partners assumed the vested and unvested options, restricted units and UAR awards outstanding on October 26, 2009 under the 2006 Plan and converted them into Enterprise Products Partners' options, restricted units and UAR awards based on the TEPPCO Merger exchange ratio. The vesting terms of each award and other provisions of the plan remain unchanged.

The 2008 Plan provides for awards of Enterprise Products Partners' common units and other rights to our non-employee directors and to consultants and employees of EPCO and its affiliates providing services to us. Awards under the 2008 Plan may be granted in the form of unit options, restricted units, phantom units, UARs and DERs. Up to 10,000,000 of Enterprise Products Partners' common units may be issued as awards under the 2008 Plan. After giving effect to awards granted under the plan through December 31, 2009, a total of 7,865,000 additional common units could be issued.

An allocated portion of the fair value of these long-term incentive plan equity-based awards is charged to us under the administrative services agreement ("ASA"). See Note 15 for a general description of the ASA with EPCO. With the exception of certain amounts recorded in connection with EPCO Unit, as defined later in this note, we are not responsible for reimbursing EPCO for any expenses associated with such awards. We recognize an expense for our allocated share of the grant date fair value of such awards, with an offsetting amount recorded in equity. Beginning in February 2009, the ASA was amended to provide that we and other affiliates of EPCO will reimburse EPCO for our allocated share of distributions of cash or securities made to the Class B limited partners of EPCO Unit, & #160; Our reimbursements to EPCO during 2009 in connection with EPCO Unit were \$0.7 million.

On December 10, 2009, the board of directors of DEP GP unanimously approved a resolution adopting both the 2010 Duncan Energy Partners L.P. Long-Term Incentive Plan ("2010 Plan") and the DEP Unit Purchase Plan ("DEP EUPP"). The 2010 Plan provides for awards of options to purchase Duncan Energy Partners' common units, restricted common units, UARs, phantom units and DERs to employees, directors or consultants providing services to Duncan Energy Partners. The DEP EUPP provides eligible employees the opportunity to purchase common units at a discount through withholdings from eligible compensation. On December 30, 2009, the action taken by the board of directors of DEP GP regarding the plans was approved by written consent of EPO, which held approximately 58.6% of Duncan Energy Partners' outstanding common units as of that date. Because EPO held a majority of Duncan Energy Partners' common units as of December 30, 2009, no other votes were necessary to adopt the plans. In February 2010, Duncan Energy Partners filed a registration statement with the SEC authorizing the issuance of up to 500,000 common units in connection with the 2010 Plan and 500,000 common units in connection with the DEP EUPP. The plans became effective on February 11, 2010.

#### ***Restricted Unit Awards***

Restricted unit awards allow recipients to acquire common units of Enterprise Products Partners (at no cost to the recipient) once a defined vesting period expires, subject to customary forfeiture provisions. The restrictions on such awards generally lapse four years from the date of grant. The fair value of restricted units is based on the market price per unit of the underlying security on the date of grant. Compensation expense is recognized based on the grant date fair value, net of an allowance for estimated forfeitures. As used in the context of our long-term incentive plans, the term "restricted unit" represents a time-vested unit. Such awards are non-vested until the required service period expires.

The following table summarizes information regarding our restricted unit awards for the periods indicated:

	Number of Units	Weighted- Average Grant Date Fair Value per Unit (1)
<b>Restricted units at December 31, 2006</b>	1,105,237	\$ 24.79
Granted (2)	738,040	\$ 30.64
Vested	(4,884 )	\$ 25.28
Settled or forfeited (3)	(149,853 )	\$ 23.31
<b>Restricted units at December 31, 2007</b>	1,688,540	\$ 27.23
Granted (4)	766,200	\$ 30.73
Vested	(285,363 )	\$ 23.11
Forfeited	(88,777 )	\$ 26.98
<b>Restricted units at December 31, 2008</b>	2,080,600	\$ 29.09
Granted (5)	1,025,650	\$ 24.89
Vested	(281,500 )	\$ 26.70
Forfeited	(411,884 )	\$ 28.37
Awards assumed in connection with TEPPCO Merger	308,016	\$ 27.64
<b>Restricted units at December 31, 2009</b>	2,720,882	\$ 27.70

- (1) Determined by dividing the aggregate grant date fair value of awards before an allowance for forfeitures by the number of awards issued. With respect to restricted unit awards assumed in connection with the TEPPCO Merger, the weighted-average grant date fair value per unit was determined by dividing the aggregate grant date fair value of the assumed awards before an allowance for forfeitures by the number of awards assumed.
- (2) Aggregate grant date fair value of restricted unit awards issued during 2007 was \$22.6 million based on grant date market prices of Enterprise Products Partners' common units ranging from \$28.00 to \$31.83 per unit. Estimated forfeiture rates ranging between 4.6% and 17% were applied to these awards.
- (3) Reflects the settlement of 113,053 restricted units in connection with the resignation of EPGP's former chief executive officer.
- (4) Aggregate grant date fair value of restricted unit awards issued during 2008 was \$23.5 million based on grant date market prices of Enterprise Products Partners' common units ranging from \$25.00 to \$32.31 per unit. An estimated forfeiture rate of 17% was applied to these awards.
- (5) Aggregate grant date fair value of restricted unit awards issued during 2009 was \$25.5 million based on grant date market prices of Enterprise Products Partners' common units ranging from \$20.08 to \$28.73 per unit. Estimated forfeiture rates ranging between 4.6% and 17% were applied to these awards.

Each recipient is also entitled to cash distributions equal to the product of the number of restricted units outstanding for the participant and the cash distribution per unit paid by the respective issuer. Since restricted units are issued securities of Enterprise Products Partners, such distributions are reflected as a component of cash distributions to noncontrolling interest as shown on our Statements of Consolidated Cash Flows. The following table presents cash distributions with respect to Enterprise Products Partners' restricted units and supplemental information regarding its restricted units for the periods indicated:

	For Year Ended December 31,		
	2009	2008	2007
Cash distributions paid to restricted unit holders	\$ 5.2	\$ 3.9	\$ 2.6
Total fair value of restricted unit awards vesting during period	\$ 7.5	\$ 6.6	\$ 0.1

On a gross basis, the total unrecognized compensation cost of such awards was \$37.9 million at December 31, 2009, of which our share is currently estimated to be \$37.3 million. We expect to recognize our share of the unrecognized compensation cost for these awards over a weighted-average period of 2.3 years.

***Unit Option Awards***

Certain of our long-term incentive plans provide for the issuance of non-qualified incentive options to purchase a fixed number of Enterprise Products Partners' common units. When issued, the exercise price of each option grant may be no less than the market price of the underlying security on the date of grant. In general, options granted under the EPCO plans have a vesting period of four years and remain exercisable for five to ten years, as applicable, from the date of grant.

The fair value of each unit option is estimated on the date of grant using the Black-Scholes option pricing model, which incorporates various assumptions including expected life of the options, risk-free interest rates, expected distribution yield on Enterprise Products Partners' common units, and expected unit price volatility of Enterprise Products Partners' common units. In general, our assumption of expected life of the options represents the period of time that the options are expected to be outstanding based on an analysis of historical option activity. Our selection of the risk-free interest rate is based on published yields for U.S. government securities with comparable terms. The expected distribution yield and unit price volatility is estimated based on several factors, which include an analysis of Enterprise Products Partners' historical unit price volatility and distribution yield over a period equal to the expected life of the option.

During 2008, in response to changes in the federal tax code applicable to certain types of equity awards, Enterprise Products Partners amended the terms of certain of its outstanding unit options. In general, the expiration dates of these awards were modified from May and August 2017 to December 2012.

In order to fund its unit option-related obligations, EPCO may purchase common units at fair value either in the open market or directly from Enterprise Products Partners. When employees exercise unit options, Enterprise Products Partners reimburses EPCO for the cash difference between the strike price paid by the employee and the actual purchase price paid by EPCO for the units issued to the employee.



The following table presents unit option activity under the EPCO plans for the periods indicated:

	Number of Units	Weighted- Average Strike Price (dollars/unit)	Weighted- Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (1)
<b>Outstanding at December 31, 2006</b>	2,416,000	\$ 23.32		
Granted (2)	895,000	30.63		
Exercised	(256,000)	19.26		
Settled or forfeited (3)	(740,000)	24.62		
<b>Outstanding at December 31, 2007</b>	2,315,000	26.18		
Granted (4)	795,000	30.93		
Exercised	(61,500)	20.38		
Forfeited	(85,000)	26.72		
<b>Outstanding at December 31, 2008</b>	2,963,500	27.56		
Granted (5)	1,460,000	23.46		
Exercised	(261,000)	19.61		
Forfeited	(930,540)	26.69		
Awards assumed in connection with TEPPCO Merger	593,960	26.12		
<b>Outstanding at December 31, 2009</b>	3,825,920	26.52	4.6	\$ 2.8
<b>Options exercisable at:</b>				
December 31, 2007	335,000	\$ 22.06	4.0	\$ 3.3
December 31, 2008	548,500	\$ 21.47	4.1	\$ -
December 31, 2009 (6)	447,500	\$ 25.09	4.8	\$ 2.8

- (1) Aggregate intrinsic value reflects fully vested unit options at the date indicated.
- (2) Aggregate grant date fair value of these unit options issued during 2007 was \$2.4 million based on the following assumptions: (i) a weighted-average grant date market price of our common units of \$30.63 per unit; (ii) expected life of options of 7.0 years; (iii) weighted-average risk-free interest rate of 4.8%; (iv) weighted-average expected distribution yield on Enterprise Products Partners' common units of 8.4% and (v) weighted-average expected unit price volatility on Enterprise Products Partners' common units of 23.2%.
- (3) Includes the settlement of 710,000 options in connection with the resignation of EPGP's former chief executive officer.
- (4) Aggregate grant date fair value of these unit options issued during 2008 was \$1.9 million based on the following assumptions: (i) a grant date market price of Enterprise Products Partners' common units of \$30.93 per unit; (ii) expected life of options of 4.7 years; (iii) risk-free interest rate of 3.3%; (iv) expected distribution yield on Enterprise Products Partners' common units of 7.0% and (v) expected unit price volatility on Enterprise Products Partners' common units of 19.8%. An estimated forfeiture rate of 17.0% was applied to awards granted during 2008.
- (5) Aggregate grant date fair value of these unit options issued during 2009 was \$8.1 million based on the following assumptions: (i) a weighted-average grant date market price of Enterprise Products Partners' common units of \$23.46 per unit; (ii) weighted-average expected life of options of 4.8 years; (iii) weighted-average risk-free interest rate of 2.1%; (iv) weighted-average expected distribution yield on Enterprise Products Partners' common units of 9.4% and (v) weighted-average expected unit price volatility on Enterprise Products Partners' common units of 57.4%. An estimated forfeiture rate of 17.0% was applied to awards granted during 2009.
- (6) Enterprise Products Partners was committed to issue 3,825,920 and 2,963,500 of its common units at December 31, 2009 and 2008, respectively, if all outstanding options awarded (as of these dates) were exercised. Of the option awards outstanding at December 31, 2009, an additional 410,000, 712,280, 736,000 and 1,520,140 are exercisable in 2010, 2012, 2013 and 2014, respectively.

The following table presents supplemental information regarding our unit options:

	For Year Ended December 31,		
	2009	2008	2007
Total intrinsic value of option awards exercised during period	\$ 2.4	\$ 0.6	\$ 3.0
Cash received from EPCO in connection with the exercise of unit option awards	1.7	0.7	7.5
Option-related reimbursements to EPCO	2.4	0.6	3.0

On a gross basis, the total unrecognized compensation cost of such awards was \$7.3 million at December 31, 2009 of which our share is currently estimated to be \$7.0 million. We expect to recognize our share of the unrecognized compensation cost for these awards over a weighted-average period of 2.9 years.

**Profits Interests Awards**

As long-term incentive arrangements, EPCO has granted its key employees who perform services on behalf of us, EPCO and other affiliated companies, “profits interests” in several limited partnerships (the “Employee Partnerships”), all of which are private company affiliates of EPCO. At December 31, 2009, the Employee Partnerships are EPE Unit I, EPE Unit II, EPE Unit III, Enterprise Unit and EPCO Unit. TEPPCO Unit L.P. and TEPPCO Unit II L.P. were dissolved during 2009.

Profits interests awards entitle each holder to participate in the expected long-term appreciation in value of the equity securities owned by each Employee Partnership. The Employee Partnerships in which our named executive officers participate own either units of the Parent Company or Enterprise Products Partners or a combination of both. The profits interests awards are subject to customary forfeiture provisions.

Each Employee Partnership has a single Class A limited partner, which is a privately held indirect subsidiary of EPCO, and a varying number of Class B limited partners. At formation, the Class A limited partner either contributes cash or limited partner units it owns to the Employee Partnership. If cash is contributed, the Employee Partnership uses these funds to acquire limited partner units on the open market. In general, the Class A limited partner earns a preferred return (either fixed or variable depending on the partnership agreement) on its investment (or “Capital Base”) in the Employee Partnership and residual quarterly cash amounts, if any, are distributed to the Class B limited partners. Upon liquidation, Employee Partnership assets having a fair market value equal to the Class A limited partner’s Capital Base, plus any preferred return for the period in which liquidation occurs, will be distributed to the Class A limited partner. Any remaining assets will be distributed to the Class B limited partner(s) as a residual profits interest and are a factor of the appreciation in value of the partnership’s assets since its formation date.

The grant date fair value of each Employee Partnership is based on (i) the estimated value of the remaining assets, as determined using a Black-Scholes option pricing model, that would be distributed to the Class B limited partners upon dissolution of the Employee Partnership and (ii) the value, based on a discounted cash flow analysis using appropriate discount rates, of the residual quarterly cash amounts that the Class B limited partners are expected to receive over the life of the Employee Partnership.

The following table summarizes key elements of each Employee Partnership as of December 31, 2009. As used in the table in reference to the description of assets, “EPE” means Enterprise GP Holdings L.P. and “EPD” means Enterprise Products Partners L.P.

<b>Employee Partnership</b>	<b>Description of Assets</b>	<b>Initial Class A Capital Base</b>	<b>Class A Partner Preferred Return</b>	<b>Liquidation Date (1)</b>	<b>Grant Date Fair Value of Awards</b>	<b>Unrecognized Compensation Cost</b>
EPE Unit I	1,821,428 EPE units	\$51.0 million	4.50% to 5.725%	February 2016	\$21.5 million	\$12.1 million
EPE Unit II	40,725 EPE units	\$1.5 million	4.50% to 5.725%	February 2016	\$0.4 million	\$0.3 million
EPE Unit III	4,421,326 EPE units	\$170.0 million	3.80%	February 2016	\$42.8 million	\$30.8 million
Enterprise Unit	881,836 EPE units 844,552 EPD units	\$51.5 million	5.00%	February 2016	\$6.5 million	\$5.3 million
EPCO Unit	779,102 EPD units	\$17.0 million	4.87%	February 2016	\$8.1 million	\$6.5 million

(1) The liquidation date may be accelerated for change of control and other events as described in the underlying partnership agreements.

The total unrecognized compensation cost of the profits interests awards was \$55.0 million at December 31, 2009 of which our share is currently estimated to be \$47.6 million. We expect to recognize our share of the unrecognized compensation cost for these awards over a weighted-average period of 6.1 years.

In December 2009, the expected liquidation date for each Employee Partnership was extended to February 2016. This modification follows a similar set of modifications made in July 2008 for EPE Unit I, EPE Unit II and EPE Unit III that extended liquidation dates as well as reduced the Class A limited partner's preferred return rates. These modifications are intended to align the interests of the employee partners of the Employee Partnerships with the long-term interests of EPCO and other unitholders in the relevant underlying publicly traded partnerships, which also hold indirectly a significant ownership interest in both us and our subsidiaries.

The following table presents the impact of modifications (e.g., extension of liquidation dates) and other changes on the aggregate grant date fair value (on an unallocated basis) of the Employee Partnerships for the periods presented.

	For Year Ended December 31,		
	2009	2008	2007
Aggregate grant date fair values at beginning of period	\$ 64.6	\$ 35.4	\$ 12.8
New Employee Partnership grants (1,2)	--	14.6	23.0
Award modifications	19.5	15.0	--
Other adjustments, primarily forfeiture and regrant activity (2)	(4.8 )	(0.4 )	(0.4 )
Aggregate grant date fair value at end of period	\$ 79.3	\$ 64.6	\$ 35.4

(1) EPE Unit III was formed in 2007 and EPCO Unit and Enterprise Unit were formed in 2008.

(2) TEPPCO Unit and TEPPCO Unit II were formed during 2008 and dissolved during 2009.

The following table summarizes the assumptions we used in deriving that portion of the estimated grant date fair value for each Employee Partnership using a Black-Scholes option pricing model:

Employee Partnership	Expected Life of Award	Risk-Free Interest Rate	Expected Distribution Yield	Expected Unit Price Volatility
EPE Unit I	3 to 6 years	1.2% to 5.0%	3.0% to 6.7%	16.6% to 35.0%
EPE Unit II	4 to 6 years	1.6% to 4.4%	3.8% to 6.4%	18.7% to 31.7%
EPE Unit III	4 to 6 years	1.4% to 4.9%	4.0% to 6.4%	16.6% to 32.2%
Enterprise Unit	4 to 6 years	1.4% to 3.9%	4.5% to 8.4%	15.3% to 31.7%
EPCO Unit	4 to 6 years	1.6% to 2.4%	8.1% to 11.1%	27.0% to 50.0%

**Phantom Units**

Certain of our long-term incentive plans provide for the issuance of phantom unit awards. These awards are automatically redeemed for cash based on the fair value of the vested portion of phantom units at redemption dates in each award. The fair value of each phantom unit award is equal to the closing market price of the underlying security on the redemption date. Each participant is required to redeem their phantom units as they vest, which typically is three to four years from the date the award is granted. Our phantom units are accounted for as liability awards.

Certain of our long-term incentive plans also provide for the award of DERs in tandem with phantom unit awards. A DER entitles the participant to cash distributions equal to the product of the number of awards outstanding for the participant and the cash distribution rate per unit paid by the issuer to its unitholders. Such amounts are expensed when paid.

The following table presents additional information regarding our phantom unit awards for the periods indicated:

	Phantom Unit Awards Issued by		
	TEPPCO	Enterprise Products Partners	Total
Phantom units at December 31, 2006	154,479	--	154,479
Granted	259	--	259
Vested	(13,533 )	--	(13,533 )
Settled or forfeited	(13,800 )	--	(13,800 )
Phantom units at December 31, 2007	127,405	--	127,405
Granted	1,698	4,400	6,098
Vested	(58,168 )	--	(58,168 )
Settled or forfeited	(1,600 )	--	(1,600 )
Phantom units at December 31, 2008	69,335	4,400	73,735
Granted	124	6,200	6,324
Vested	(61,519 )	--	(61,519 )
Settled or forfeited	(4,447 )	--	(4,447 )
Awards assumed in connection with TEPPCO Merger	(3,493 )	4,327	834
Phantom units at December 31, 2009	--	14,927	14,927
	<b>For Year Ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
Accrued liability for phantom unit awards, at end of period	\$ 0.2	\$ 1.2	\$ 4.5
Liabilities paid for phantom unit awards	1.2	2.5	0.6

At December 31, 2009, only the 2008 Plan and the 1999 Plan had significant phantom units outstanding. These awards will settle as follows: 4,327 in 2010, 4,400 in 2011 and 6,200 in 2012. The 2000 Plan and 2005 Plan also issued phantom units, all of which had vested and settled prior to December 31, 2009. The 3,472 phantom units outstanding under the 1999 Plan were settled in January 2010 and the plan terminated.

#### Unit Appreciation Rights

UARs entitle a participant to receive a cash payment on the vesting date equal to the excess, if any, of the fair market value of the underlying security (determined as of a future vesting date) over the grant date fair value of the award. UARs are accounted for as liability awards. The following table presents additional information regarding our UARs for the periods indicated:

	UARs Issued by			
	TEPPCO	Enterprise Products Partners	EPE	Total
UARs at December 31, 2006	--	--	90,000	90,000
Granted	404,704	--	90,000	494,704
Settled or forfeited	(2,756 )	--	--	(2,756 )
UARs at December 31, 2007	401,948	--	180,000	581,948
Granted	29,429	--	--	29,429
UARs at December 31, 2008	431,377	--	180,000	611,377
Settled or forfeited	(166,217 )	(186,614 )	(90,000 )	(442,831 )
Awards assumed in connection with the TEPPCO Merger	(265,160 )	328,810	--	63,650
UARs at December 31, 2009	--	142,196	90,000	232,196
	<b>At December 31,</b>			
	<b>2009</b>	<b>2008</b>	<b>2007</b>	
Accrued liability for UARs	\$ 0.3	\$ 0.2	\$ 0.2	

At December 31, 2009, 142,196 UARs had been granted under the 2006 Plan to certain employees of EPCO who work on our behalf. These awards are subject to five year cliff vesting requirements and are

expected to settle in 2012. The grant date fair value with respect to these UARs is based on Enterprise Products Partners' unit price of \$37.00. If the employee resigns prior to vesting, these UAR awards are forfeited.

Prior to the TEPPCO Merger, 95,654 UARs had been granted to the non-employee former directors of TEPPCO under the 2006 Plan. The awards were settled in October 2009 and \$0.1 million in cash was paid to the former directors.

The non-employee directors of DEP GP, the general partner of Duncan Energy Partners, have been granted UARs in the form of letter agreements. These liability awards are not part of any established long-term incentive plan of EPCO, the Parent Company, Duncan Energy Partners or Enterprise Products Partners. The compensation expense associated with these awards is recognized by DEP GP, which is our consolidated subsidiary. At December 31, 2009, we had a total of 90,000 outstanding UARs granted to non-employee directors of DEP GP that cliff vest in 2012. If a director resigns prior to vesting, his UAR awards are forfeited. The grant date fair value with respect to these UARs is based on the Parent Company's unit price of \$36.68.

UARs formerly issued to non-employee directors of EPGP in the form of letter grants were terminated during the second quarter of 2009.

#### **Note 6. Derivative Instruments, Hedging Activities and Fair Value Measurements**

In the course of our normal business operations, we are exposed to certain risks, including changes in interest rates, commodity prices and, to a limited extent, foreign exchange rates. In order to manage risks associated with certain identifiable and anticipated transactions, we use derivative instruments. Derivatives are instruments whose fair value is determined by changes in a specified benchmark such as interest rates, commodity prices or currency values. Fair value is generally defined as the amount at which a derivative instrument could be exchanged in a current transaction between willing parties, not in a forced sale. Typical derivative instruments include futures, forward contracts, swaps, options and other instruments with similar characteristics. Substantially all of our derivatives are used for non-trading activities.

We are required to recognize derivative instruments at fair value as either assets or liabilities on the balance sheet. While all derivatives are required to be reported at fair value on the balance sheet, changes in fair value of the derivative instruments are reported in different ways depending on the nature and effectiveness of the hedging activities to which they are related. After meeting specified conditions, a qualified derivative may be specifically designated as a total or partial hedge of:

- § Changes in the fair value of a recognized asset or liability, or an unrecognized firm commitment - In a fair value hedge, gains and losses for both the derivative instrument and the hedged item are recognized in income during the period of change.
- § Variable cash flows of a forecasted transaction - In a cash flow hedge, the effective portion of the hedge is reported in other comprehensive income or loss ("OCI") and is reclassified into earnings when the forecasted transaction affects earnings.
- § Foreign currency exposure - A foreign currency hedge can be treated as either a fair value hedge or a cash flow hedge depending on the risk being hedged.

An effective hedge relationship is one in which the change in fair value of a derivative instrument can be expected to offset 80% to 125% of changes in the fair value of a hedged item at inception and throughout the life of the hedging relationship. The effective portion of a hedge relationship is the amount by which the derivative instrument exactly offsets the change in fair value of the hedged item during the reporting period. Conversely, ineffectiveness represents the change in the fair value of the derivative instrument that does not exactly offset the change in the fair value of the hedged item. Any ineffectiveness

associated with a hedge relationship is recognized in earnings immediately. Ineffectiveness can be caused by, among other things, changes in the timing of forecasted transactions or a mismatch of terms between the derivative instrument and the hedged item.

A contract designated as a cash flow hedge of an anticipated transaction that is probable of not occurring is immediately recognized in earnings.

#### Interest Rate Derivative Instruments

We utilize interest rate swaps, treasury locks and similar derivative instruments to manage our exposure to changes in the interest rates of certain consolidated debt agreements. This strategy is a component in controlling our cost of capital associated with such borrowings.

The following table summarizes our interest rate derivative instruments outstanding at December 31, 2009, all of which were designated as hedging instruments under the FASB's derivative and hedging guidance:

Hedged Transaction	Number and Type of Derivative Employed	Notional Amount	Period of Hedge	Rate Swap	Accounting Treatment
<b>Parent Company:</b>					
Variable-interest rate borrowings	2 floating-to-fixed swaps	\$ 250.0	9/07 to 8/11	0.3% to 4.8%	Cash flow hedge
<b>Enterprise Products Partners:</b>					
Senior Notes C	1 fixed-to-floating swap	\$ 100.0	1/04 to 2/13	6.4% to 2.8%	Fair value hedge
Senior Notes G	3 fixed-to-floating swaps	\$ 300.0	10/04 to 10/14	5.6% to 1.5%	Fair value hedge
Senior Notes P	7 fixed-to-floating swaps	\$ 400.0	6/09 to 8/12	4.6% to 2.7%	Fair value hedge
<b>Duncan Energy Partners:</b>					
Variable-interest rate borrowings	3 floating-to-fixed swaps	\$ 175.0	9/07 to 9/10	0.3% to 4.6%	Cash flow hedge

In August 2009, two of the Parent Company's floating-to-fixed interest rate swaps associated with its variable-interest rate borrowings expired. Such swaps had a notional amount of \$250.0 million.

Changes in the fair value of the interest rate swaps and the related hedged items were recorded on the balance sheet with the offset recorded as interest expense. Cash flow hedges fix the interest rate paid on floating rate debt with the difference between the floating rate and fixed rate being recorded as an increase or decrease to interest expense. This combined activity resulted in an increase of interest expense of \$16.2 million and \$6.4 million for the years ended December 31, 2009 and 2008, respectively.

At times, we may use treasury lock derivative instruments to hedge the underlying U.S. treasury rates related to forecasted issuances of debt. As cash flow hedges, gains or losses on these instruments are recorded in OCI and amortized into earnings using the effective interest method over the estimated term of the underlying fixed-rate debt. During 2008, we terminated treasury locks with a combined notional amount of \$1.2 billion and recognized an aggregate loss of \$43.9 million in OCI related to these terminations.

During the year ended December 31, 2009, we entered into four forward starting interest rate swaps to hedge the underlying benchmark interest payments related to the forecasted issuances of debt.

Hedged Transaction	Number and Type of Derivative Employed	Notional Amount	Period of Hedge	Average Rate Locked	Accounting Treatment
Future debt offering	1 forward starting swap	\$ 50.0	6/10 to 6/20	3.3%	Cash flow hedge
Future debt offering	3 forward starting swaps	\$ 250.0	2/11 to 2/21	3.6%	Cash flow hedge

Forward starting interest rate swaps are used to hedge the underlying benchmark interest payments related to the forecasted issuances of debt. The fair market value of the forward starting swaps was \$21.0

million at December 31, 2009. During January and February 2010, we entered into five additional forward starting swaps with a notional amount of \$50.0 million each. The period hedged by these five forward starting swaps is February 2012 through February 2022.

**Commodity Derivative Instruments**

The prices of natural gas, NGLs, crude oil, refined products and certain petrochemical products are subject to fluctuations in response to changes in supply and demand, market conditions and a variety of additional factors that are beyond our control. In order to manage the price risk associated with certain exposures, we enter into commodity derivative instruments such as forwards, basis swaps, futures and options contracts. The following table summarizes our commodity derivative instruments outstanding at December 31, 2009:

Derivative Purpose	Volume (1)		Accounting Treatment
	Current	Long-Term (2)	
<b>Derivatives designated as hedging instruments:</b>			
<b>Enterprise Products Partners:</b>			
Natural gas processing:			
Forecasted natural gas purchases for plant thermal reduction ("PTR") (3)	17.8 Bcf	n/a	Cash flow hedge
Forecasted NGL sales (4)	2.4 MMBbbls	n/a	Cash flow hedge
Octane enhancement:			
Forecasted purchases of NGLs	2.0 MMBbbls	n/a	Cash flow hedge
NGLs inventory management	0.1 MMBbbls	n/a	Cash flow hedge
Forecasted sales of octane enhancement products	3.4 MMBbbls	0.4 MMBbbls	Cash flow hedge
Natural gas marketing:			
Natural gas storage inventory management activities	3.5 Bcf	n/a	Fair value hedge
NGL marketing:			
Forecasted purchases of NGLs and related hydrocarbon products	7.5 MMBbbls	n/a	Cash flow hedge
Forecasted sales of NGLs and related hydrocarbon products	8.0 MMBbbls	n/a	Cash flow hedge
<b>Derivatives not designated as hedging instruments:</b>			
<b>Enterprise Products Partners:</b>			
Natural gas risk management activities (5) (6)	359.2 Bcf	33.9 Bcf	Mark-to-market
NGL risk management activities (6)	0.4 MMBbbls	n/a	Mark-to-market
Crude oil risk management activities (6)	3.5 MMBbbls	n/a	Mark-to-market
<b>Duncan Energy Partners:</b>			
Natural gas risk management activities (6)	2.2 Bcf	n/a	Mark-to-market

(1) Volume for derivatives designated as hedging instruments reflects the total amount of volumes hedged whereas volume for derivatives not designated as hedging instruments reflects the absolute value of derivative notional volumes.

(2) The maximum term for derivatives included in the long-term column is December 2012.

(3) PTR represents the British thermal unit equivalent of the NGLs extracted from natural gas by a processing plant, and includes the natural gas used as plant fuel to extract those liquids, plant flare and other shortages. See the discussion below for the primary objective of this strategy.

(4) Excludes 5.4 MMBbbls of additional hedges executed under contracts that have been designated as normal sales agreements under the FASB's derivative and hedging guidance. The combination of these volumes with the 2.4 MMBbbls reflected as derivatives in the table above results in a total of 7.8 MMBbbls of hedged forecasted NGL sales volumes, which corresponds to the 17.8 Bcf of forecasted natural gas purchase volumes for PTR.

(5) Current and long-term volumes include approximately 109.5 and 12.6 billion cubic feet ("Bcf"), respectively, of physical derivative instruments that are predominantly priced at an index plus a premium or minus a discount.

(6) Reflects the use of derivative instruments to manage risks associated with transportation, processing and storage assets.

Certain of our derivative instruments do not meet hedge accounting requirements; therefore, they are accounted for using mark-to-market accounting.

Our three predominant hedging strategies are hedging natural gas processing margins, hedging anticipated future sales of NGLs, refined products and crude oil associated with volumes held in inventory

and hedging the fair value of natural gas in inventory. The objective of our natural gas processing strategy is to hedge an amount of gross margin associated with the gas processing activities. We achieve this by using physical and financial instruments to lock in the prices of natural gas purchases used for PTR and NGL sales. This program consists of (i) the forward sale of a portion of our expected equity NGL production at fixed prices through December 2010, achieved through the use of forward physical sales and commodity derivative instruments and (ii) the purchase of commodity derivative instruments with a notional amount determined by the amount of natural gas expected to be consumed as PTR in the production of such equity NGL production. The objective of our NGL, refined products and crude oil sales hedging program is to hedge anticipated future sales of inventory by locking in the sales price through the use of forward physical sales and commodity derivative instruments. The objective of our natural gas inventory hedging program is to hedge the fair value of natural gas currently held in inventory by locking in the sales price of the inventory through the use of commodity derivative instruments.

***Foreign Currency Derivative Instruments***

We are exposed to a nominal amount of foreign currency exchange risk in connection with our NGL and natural gas marketing activities in Canada. As a result, we could be adversely affected by fluctuations in currency rates between the U.S. dollar and Canadian dollar. In order to manage this risk, we may enter into foreign exchange purchase contracts to lock in the exchange rate. Prior to 2009, these derivative instruments were accounted for using mark-to-market accounting. Beginning with the first quarter of 2009, the long-term transactions (more than two months) are accounted for as cash flow hedges. Shorter term transactions are accounted for using mark-to-market accounting.

In 2008 and 2009 we were exposed to foreign currency exchange risk in connection with a term loan denominated in Japanese yen (see Note 12). We entered into this loan agreement in November 2008 and the loan matured in March 2009. The derivative instrument used to hedge this risk was accounted for as a cash flow hedge and was settled upon repayment of the loan.

At December 31, 2009, we had foreign currency derivative instruments outstanding with a notional amount of \$4.1 million Canadian dollars. The fair market value of these instruments was an asset of \$0.2 million at December 31, 2009.

***Credit-Risk Related Contingent Features in Derivative Instruments***

A limited number of our commodity derivative instruments include provisions related to credit ratings and/or adequate assurance clauses. A credit rating provision provides for a counterparty to demand immediate full or partial payment to cover a net liability position upon the loss of a stipulated credit rating. An adequate assurance clause provides for a counterparty to demand immediate full or partial payment to cover a net liability position should reasonable grounds for insecurity arise with respect to contractual performance by either party. At December 31, 2009, the aggregate fair value of our over-the-counter derivative instruments in a net liability position was \$7.7 million, approximately \$6.1 million of which was subject to a credit rating contingent feature. If our credit ratings were downgraded to Ba2/BB, approximately \$1.1 million would be payable as a margin deposit to the counterparties, and if our credit ratings were downgraded to Ba3/BB- or below, approximately \$6.1 million would be payable as a margin deposit to the counterparties. Currently, no margin is required to be deposited. The potential for derivatives with contingent features to enter a net liability position may change in the future as positions and prices fluctuate.



**Tabular Presentation of Fair Value Amounts, and Gains and Losses on Derivative Instruments and Related Hedged Items**

The following table provides a balance sheet overview of our derivative assets and liabilities at the dates indicated:

Asset Derivatives				Liability Derivatives				
December 31, 2009		December 31, 2008		December 31, 2009		December 31, 2008		
Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	
<b>Derivatives designated as hedging instruments</b>								
Interest rate derivatives	Derivative assets	\$ 32.7	Derivative assets	\$ 7.8	Derivative liabilities	\$ 18.6	Derivative liabilities	\$ 19.2
Interest rate derivatives	Other assets		Other assets		Other liabilities		Other liabilities	
		31.8		38.9		6.7		17.1
Total interest rate derivatives		64.5	46.7		25.3		36.3	
Commodity derivatives	Derivative assets	52.0	Derivative assets	150.6	Derivative liabilities	62.6	Derivative liabilities	253.5
Commodity derivatives	Other assets		Other assets		Other liabilities		Other liabilities	
		0.5		--		1.8		0.2
Total commodity derivatives (1)		52.5	150.6		64.4		253.7	
Foreign currency derivatives (2)	Derivative assets	0.2	Derivative assets	9.3	Derivative liabilities	--	Derivative liabilities	--
Total derivatives designated as hedging instruments		\$ 117.2	\$ 206.6		\$ 89.7		\$ 290.0	
<b>Derivatives not designated as hedging instruments</b>								
Commodity derivatives	Derivative assets	\$ 28.9	Derivative assets	\$ 50.9	Derivative liabilities	\$ 24.9	Derivative liabilities	\$ 43.4
Commodity derivatives	Other assets		Other assets		Other liabilities		Other liabilities	
		2.0		--		2.7		--
Total commodity derivatives		30.9	50.9		27.6		43.4	
Foreign currency derivatives	Derivative assets	--	Derivative assets	--	Derivative liabilities	--	Derivative liabilities	0.1
Total derivatives not designated as hedging instruments		\$ 30.9	\$ 50.9		\$ 27.6		\$ 43.5	

- (1) Represents commodity derivative transactions that either have not settled or have settled and not been invoiced. Settled and invoiced transactions are reflected in either accounts receivable or accounts payable depending on the outcome of the transaction.
- (2) Relates to the hedging of our exposure to fluctuations in the foreign currency exchange rate related to our Canadian NGL marketing subsidiary.

The following tables present the effect of our derivative instruments designated as fair value hedges on our Statements of Consolidated Operations for the periods indicated:

Derivatives in Fair Value Hedging Relationships		Location	Gain (Loss) Recognized in Income on Derivative For Year Ended December 31,	
			2009	2008
Interest rate	Interest expense		\$ (8.8 )	\$ 31.2
Commodity	Revenue		1.8	--
Total			\$ (7.0 )	\$ 31.2
Derivatives in Fair Value Hedging Relationships		Location	Gain (Loss) Recognized in Income on Hedged Item For Year Ended December 31,	
			2009	2008
Interest rate	Interest expense		\$ 3.2	\$ (31.2 )
Commodity	Revenue		(1.3 )	--
Total			\$ 1.9	\$ (31.2 )

The following tables present the effect of our derivative instruments designated as cash flow hedges on our Statements of Consolidated Operations for the periods indicated:

Derivatives in Cash Flow Hedging Relationships	Change in Value Recognized in OCI on Derivative (Effective Portion)	
	For Year Ended December 31,	
	2009	2008
Interest rate derivatives	\$ 12.5	\$ (73.0)
Commodity derivatives – Revenue	(34.8)	(34.8)
Commodity derivatives – Operating costs and expenses	(144.8)	(135.4)
Foreign currency derivatives	(10.2)	9.3
Total	\$ (177.3)	\$ (233.9)

Derivatives in Cash Flow Hedging Relationships	Location	Amount of Loss Reclassified from AOCI into Income (Effective Portion)	
		For Year Ended December 31,	
		2009	2008
Interest rate derivatives	Interest expense	\$ (26.4)	\$ (5.5)
Commodity derivatives	Revenue	(61.0)	(56.7)
Commodity derivatives	Operating costs and expenses	(233.2)	(39.6)
Total		\$ (320.6)	\$ (101.8)

Derivatives in Cash Flow Hedging Relationships	Location	Amount of Gain/(Loss) Recognized in Income on Ineffective Portion of Derivative	
		For Year Ended December 31,	
		2009	2008
Interest rate derivatives	Interest expense	\$ 1.4	\$ (2.7)
Commodity derivatives	Revenue	0.2	--
Commodity derivatives	Operating costs and expenses	(0.1)	(1.7)
Foreign currency derivatives		--	(0.1)
Total		\$ 1.5	\$ (4.5)

Over the next twelve months, we expect to reclassify \$21.3 million of AOCI attributable to interest rate derivative instruments into earnings as an increase to interest expense. Likewise, we expect to reclassify \$0.8 million of AOCI attributable to commodity derivative instruments into earnings, \$0.2 million as an increase in operating costs and expenses and \$1.0 million as an increase in revenues.

The following table presents the effect of our derivative instruments not designated as hedging instruments on our Statements of Consolidated Operations for the periods indicated:

Derivatives Not Designated as Hedging Instruments	Location	Gain/(Loss) Recognized in Income on Derivative	
		For Year Ended December 31,	
		2009	2008
Commodity derivatives	Revenue	\$ 40.7	\$ 39.3
Commodity derivatives	Operating costs and expenses	--	(7.6)
Foreign currency derivatives	Other expense	(0.1)	(0.1)
Total		\$ 40.6	\$ 31.6

#### Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a specified measurement date. Our fair value estimates are based on either (i) actual market data or (ii) assumptions that other market participants

would use in pricing an asset or liability, including estimates of risk. Recognized valuation techniques employ inputs such as product prices, operating costs, discount factors and business growth rates. These inputs may be either readily observable, corroborated by market data or generally unobservable. In developing our estimates of fair value, we endeavor to utilize the best information available and apply market-based data to the extent possible. Accordingly, we utilize valuation techniques (such as the market approach) that maximize the use of observable inputs and minimize the use of unobservable inputs.

A three-tier hierarchy has been established that classifies fair value amounts recognized or disclosed in the financial statements based on the observability of inputs used to estimate such fair values. The hierarchy considers fair value amounts based on observable inputs (Levels 1 and 2) to be more reliable and predictable than those based primarily on unobservable inputs (Level 3). At each balance sheet reporting date, we categorize our financial assets and liabilities using this hierarchy.

The characteristics of fair value amounts classified within each level of the hierarchy are described as follows:

- § Level 1 fair values are based on quoted prices, which are available in active markets for identical assets or liabilities as of the measurement date. Active markets are defined as those in which transactions for identical assets or liabilities occur with sufficient frequency so as to provide pricing information on an ongoing basis (e.g., the New York Mercantile Exchange). Our Level 1 fair values primarily consist of financial assets and liabilities such as exchange-traded commodity derivative instruments.
- § Level 2 fair values are based on pricing inputs other than quoted prices in active markets (as reflected in Level 1 fair values) and are either directly or indirectly observable as of the measurement date. Level 2 fair values include instruments that are valued using financial models or other appropriate valuation methodologies. Such financial models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, the time value of money, volatility factors, current market and contractual prices for the underlying instruments and other relevant economic measures. Substantially all of these assumptions are: (i) observable in the marketplace throughout the full term of the instrument, (ii) can be derived from observable data or (iii) are validated by inputs other than quoted prices (e.g., interest rate and yield curves at commonly quoted intervals). Our Level 2 fair values primarily consist of commodity derivative instruments such as forwards, swaps and other instruments transacted on an exchange or over the counter. The fair values of these derivatives are based on observable price quotes for similar products and locations. The value of our interest rate derivatives are valued by using appropriate financial models with the implied forward London Interbank Offered Rate (“LIBOR”) yield curve for the same period as the future interest swap settlements.
- § Level 3 fair values are based on unobservable inputs. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Unobservable inputs reflect the reporting entity’s own ideas about the assumptions that market participants would use in pricing an asset or liability (including assumptions about risk). Unobservable inputs are based on the best information available in the circumstances, which might include the reporting entity’s internally developed data. The reporting entity must not ignore information about market participant assumptions that is reasonably available without undue cost and effort. Level 3 inputs are typically used in connection with internally developed valuation methodologies where management makes its best estimate of an instrument’s fair value. Our Level 3 fair values largely consist of ethane, normal butane and natural gasoline-based contracts with a range of two to 12 months in term. We rely on price quotes from reputable brokers in the marketplace who publish price quotes on certain products. Whenever possible, we compare these prices to other reputable brokers for the same product in the same market. These prices, combined with our forward transactions, are used in our model to determine the fair value of such instruments.

The following tables set forth, by level within the fair value hierarchy, our financial assets and liabilities measured on a recurring basis at the dates indicated. These financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the fair value assets and liabilities, in addition to their placement within the fair value hierarchy levels.

	At December 31, 2009			
	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>				
Interest rate derivative instruments	\$ --	\$ 64.5	\$ --	\$ 64.5
Commodity derivative instruments	14.6	34.4	34.4	83.4
Foreign currency derivative instruments	--	0.2	--	0.2
Total	\$ 14.6	\$ 99.1	\$ 34.4	\$ 148.1

<b>Financial liabilities:</b>				
Interest rate derivative instruments	\$ --	\$ 25.3	\$ --	\$ 25.3
Commodity derivative instruments	17.1	46.2	28.7	92.0
Total	\$ 17.1	\$ 71.5	\$ 28.7	\$ 117.3

	At December 31, 2008			
	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>				
Interest rate derivative instruments	\$ --	\$ 46.7	\$ --	\$ 46.7
Commodity derivative instruments	4.0	164.7	32.8	201.5
Foreign currency derivative instruments	--	9.3	--	9.3
Total	\$ 4.0	\$ 220.7	\$ 32.8	\$ 257.5

<b>Financial liabilities:</b>				
Interest rate derivative instruments	\$ --	\$ 36.3	\$ --	\$ 36.3
Commodity derivative instruments	7.1	289.6	0.4	297.1
Foreign currency derivative instruments	--	0.1	--	0.1
Total	\$ 7.1	\$ 326.0	\$ 0.4	\$ 333.5

The following table sets forth a reconciliation of changes in the fair value of our Level 3 financial assets and liabilities for the periods presented:

	For Year Ended December 31,	
	2009	2008
<b>Balance, January 1</b>	\$ 32.4	\$ (5.0)
Total gains (losses) included in:		
Net income (1)	27.0	(34.6)
Other comprehensive income (loss)	(21.8)	37.2
Purchases, issuances, settlements	(26.8)	34.8
Transfer out of Level 3	(5.1)	--
<b>Balance, December 31</b>	\$ 5.7	\$ 32.4

(1) There were unrealized losses of \$5.2 million and gains of \$0.2 million included in these amounts for the years ended December 31, 2009 and 2008, respectively.

**Nonfinancial Assets and Liabilities**

Certain nonfinancial assets and liabilities are measured at fair value on a nonrecurring basis and are subject to fair value adjustments in certain circumstances (e.g., when there is evidence of impairment). The following table presents the estimated fair value of certain assets carried on our Consolidated Balance Sheet by caption for which a nonrecurring change in fair value has been recorded during the year ended December 31, 2009:

	<b>Level 3</b>	<b>Impairment Charges</b>
Property, plant and equipment (see Note 8)	\$ 29.6	\$ 29.4
Intangible assets (see Note 11)	0.6	0.6
Goodwill (see Note 11)	--	1.3
Other current assets	1.2	2.2
<b>Total</b>	<b>\$ 31.4</b>	<b>\$ 33.5</b>

Using appropriate valuation techniques, we adjusted the carrying value of certain assets to \$31.4 million and recorded non-cash impairment charges of \$33.5 million during 2009. These charges are reflected in operating costs and expenses for the year ended December 31, 2009 and have been allocated to property, plant and equipment, intangible assets, goodwill and other current assets. During 2009, impairments primarily resulted from (i) reduced levels of throughput volumes at certain river terminals and the indefinite suspension of three new proposed river terminals, (ii) reduced throughput levels at a natural gas processing plant, (iii) the cancellation of a compressor station project and (iv) the determination that a storage cavern and certain marine barges were obsolete. Our fair value estimates were based primarily on an evaluation of the future cash flows associated with each asset.

**Note 7. Inventories**

Our inventory amounts were as follows at the dates indicated:

	<b>December 31,</b>	
	<b>2009</b>	<b>2008</b>
Working inventory (1)	\$ 466.4	\$ 188.1
Forward sales inventory (2)	245.5	216.9
<b>Total inventory</b>	<b>\$ 711.9</b>	<b>\$ 405.0</b>

- (1) Working inventory is comprised of inventories of natural gas, NGLs, crude oil, refined products, lubrication oils and certain petrochemical products that are either available-for-sale or used in the provision for services.
- (2) Forward sales inventory consists of identified natural gas, NGL, refined product and crude oil volumes dedicated to the fulfillment of forward sales contracts. In general, the increase in volumes dedicated to forward physical sales contracts improves the overall utilization and profitability of our fee-based assets. The cash invested in forward sales NGL inventories is expected to be recovered within the next twelve months as physical delivery from inventory occurs.

In those instances where we take ownership of inventory volumes through percent-of-liquids contracts and similar arrangements (as opposed to actually purchasing volumes for cash from third parties, see Note 4), these volumes are valued at market-based prices during the month in which they are acquired.

Due to fluctuating commodity prices, we recognize LCM adjustments when the carrying value of our inventories exceeds their net realizable value. These non-cash charges are a component of cost of sales in the period they are recognized and generally affect our segment operating results in the following manner:

- § Write-downs of NGL inventories are recorded as an expense related to our NGL marketing activities within our NGL Pipelines & Services business segment;

§ Write-downs of natural gas inventories are recorded as an expense related to our natural gas pipeline operations within our Onshore Natural Gas Pipelines & Services business segment;

§ Write-downs of crude oil inventories are recorded as an expense related to our crude oil operations within our Onshore Crude Oil Pipelines & Services business segment; and

§ Write-downs of petrochemical, refined products and related inventories are recorded as an expense related to our petrochemical and refined products marketing activities or octane additive production business, as applicable, within our Petrochemical & Refined Products Services business segment.

To the extent our commodity hedging strategies address inventory-related risks and are successful, these inventory valuation adjustments are mitigated or offset. See Note 6 for a description of our commodity hedging activities.

The following table summarizes our cost of sales and LCM adjustment amounts for the periods indicated:

	For Year Ended December 31,		
	2009	2008	2007
Cost of sales (1)	\$ 20,921.8	\$ 31,204.8	\$ 23,494.0
LCM adjustments	6.3	63.0	14.1

- (1) Cost of sales is included in operating costs and expenses, as presented on our Statements of Consolidated Operations. The fluctuation in this amount year-to-year is primarily due to changes in energy commodity prices associated with our marketing activities.

#### Note 8. Property, Plant and Equipment

Our property, plant and equipment values and accumulated depreciation balances were as follows at the dates indicated:

	Estimated Useful Life in Years	December 31,	
		2009	2008
Plants and pipelines (1)	3-45 (5)	\$ 17,681.9	\$ 15,444.7
Underground and other storage facilities (2)	5-40 (6)	1,280.5	1,203.9
Platforms and facilities (3)	20-31	637.6	634.8
Transportation equipment (4)	3-10	60.1	50.9
Marine vessels	20-30	559.4	453.0
Land		82.9	76.5
Construction in progress		1,207.2	2,015.4
Total		21,509.6	19,879.2
Less accumulated depreciation		3,820.4	3,146.4
Property, plant and equipment, net		\$ 17,689.2	\$ 16,732.8

- (1) Plants and pipelines include processing plants; NGL, petrochemical, crude oil and natural gas pipelines; terminal loading and unloading facilities; office furniture and equipment; buildings; laboratory and shop equipment and related assets.
- (2) Underground and other storage facilities include underground product storage caverns; above ground storage tanks; water wells and related assets.
- (3) Platforms and facilities include offshore platforms and related facilities and other associated assets.
- (4) Transportation equipment includes vehicles and similar assets used in our operations.
- (5) In general, the estimated useful lives of major components of this category are as follows: processing plants, 20-35 years; pipelines and related equipment, 5-45 years; terminal facilities, 10-35 years; delivery facilities, 20-40 years; office furniture and equipment, 3-20 years; buildings, 20-40 years; and laboratory and shop equipment, 5-35 years.
- (6) In general, the estimated useful lives of major components of this category are as follows: underground storage facilities, 5-35 years; storage tanks, 10-40 years; and water wells, 5-35 years.

In August 2008, our wholly owned subsidiaries, together with Oiltanking Holding Americas, Inc. ("Oiltanking") formed the Texas Offshore Port System partnership ("TOPS"). Effective April 16, 2009, our wholly owned subsidiaries dissociated from TOPS. As a result, operating costs and expenses and net income for the year ended December 31, 2009 include a non-cash charge of \$68.4 million. This loss represents the forfeiture of our cumulative investment in TOPS through the date of dissociation and reflects our capital contributions to TOPS for construction in progress amounts.

TOPS was a consolidated subsidiary of ours prior to the dissociation. The effect of deconsolidation was to remove the accounts of TOPS, including Oiltanking's noncontrolling interest of \$33.4 million, from our books and records, after reflecting the \$68.4 million aggregate write-off of the investment. See Note 18 for information regarding expense amounts recognized during 2009 in connection with a settlement agreement involving TOPS.

We recorded \$21.0 million, \$4.3 million and \$4.1 million of non-cash impairment charges within our Petrochemical & Refined Products Services segment, Onshore Natural Gas Pipelines & Services segment and NGL Pipelines & Services segment, respectively, related to plant, property and equipment during the year ended December 31, 2009. See Note 6 for additional information regarding impairment charges.

The following table summarizes our depreciation expense and capitalized interest amounts for the periods indicated:

	For Year Ended December 31,					
	2009		2008		2007	
Depreciation expense (1)	\$	678.1	\$	595.9	\$	515.7
Capitalized interest (2)		53.1		90.7		86.5

(1) Depreciation expense is a component of costs and expenses as presented in our Statements of Consolidated Operations.

(2) Capitalized interest increases the carrying value of the associated asset and reduces interest expense during the period it is recorded.

We reviewed assumptions underlying the estimated remaining useful lives of certain of our assets during the first quarter of 2008. As a result of our review, effective January 1, 2008, we revised the remaining useful lives of these assets, most notably the assets that constitute our Texas Intrastate System. This revision increased the remaining useful life of such assets to incorporate recent data showing that natural gas reserves supporting throughput and processing volumes for these assets have changed since our original determination made in September 2004. These revisions will prospectively reduce our depreciation expense on assets having carrying values totaling \$2.72 billion as of January 1, 2008. On average, we extended the life of these assets by 3.1 years. As a result of this change in estimate, depreciation expense included in operating income and net income for the year ended December 31, 2008 decreased by approximately \$20.0 million. Of this amount, \$19.0 million was attributed to noncontrolling interest. The impact of this change on our earnings per unit was immaterial.

#### **Asset Retirement Obligations**

We have recorded AROs related to legal requirements to perform retirement activities as specified in contractual arrangements and/or governmental regulations. In general, our AROs primarily result from (i) right-of-way agreements associated with our pipeline operations, (ii) leases of plant sites and (iii) regulatory requirements triggered by the abandonment or retirement of certain underground storage assets and offshore facilities. In addition, our AROs may result from the renovation or demolition of certain assets containing hazardous substances such as asbestos.

The following table presents information regarding our AROs since December 31, 2007:

<b>ARO liability balance, December 31, 2007</b>	\$	42.2
Liabilities incurred		1.1
Liabilities settled		(8.2)
Revisions in estimated cash flows		4.7
Accretion expense		2.4
<b>ARO liability balance, December 31, 2008</b>		42.2
Liabilities incurred		0.5
Liabilities settled		(17.1)
Revisions in estimated cash flows		26.1
Accretion expense		3.1
<b>ARO liability balance, December 31, 2009</b>	\$	54.8

The increase in our ARO liability balance during 2009 primarily reflects revised estimates of the cost to comply with regulatory abandonment obligations associated with our offshore facilities in the Gulf of Mexico. We incurred \$14.6 million of costs through December 31, 2009 as a result of ARO settlement activities associated with certain pipeline laterals and a platform located in the Gulf of Mexico.

Property, plant and equipment at December 31, 2009 and 2008 includes \$26.7 million and \$11.7 million, respectively, of asset retirement costs capitalized as an increase in the associated long-lived asset. The following table presents forecasted accretion expense associated with our AROs for the years presented:

2010	2011	2012	2013	2014
\$ 3.8	\$ 3.7	\$ 4.0	\$ 4.3	\$ 4.7

Certain of our unconsolidated affiliates have AROs recorded at December 31, 2009 and 2008 relating to contractual agreements and regulatory requirements. These amounts are immaterial to our financial statements.



**Note 9. Investments in Unconsolidated Affiliates**

We own interests in a number of related businesses that are accounted for using the equity method of accounting. We group our investments in unconsolidated affiliates according to the business segment to which they relate (see Note 14 for a general discussion of our business segments). The following table shows our investments in unconsolidated affiliates by business segment at the dates indicated:

	Ownership Percentage at December 31,	December 31,	
		2009	2008
<b>NGL Pipelines &amp; Services:</b>			
Venice Energy Service Company, L.L.C.	13.1%	\$ 32.6	\$ 37.7
K/D/S Promix, L.L.C.	50%	48.9	46.4
Baton Rouge Fractionators LLC	32.2%	22.2	24.2
Skelly-Belvieu Pipeline Company, L.L.C.	49%	37.9	36.0
<b>Onshore Natural Gas Pipelines &amp; Services:</b>			
Evangeline (1)	49.5%	5.6	4.5
White River Hub, LLC	50%	26.4	21.4
<b>Onshore Crude Oil Pipelines &amp; Services:</b>			
Seaway Crude Pipeline Company	50%	178.5	186.2
<b>Offshore Pipelines &amp; Services:</b>			
Poseidon Oil Pipeline, L.L.C.	36%	61.7	60.2
Cameron Highway Oil Pipeline Company ("Cameron Highway")	50%	239.6	250.9
Deepwater Gateway, L.L.C.	50%	101.8	104.8
Neptune Pipeline Company, L.L.C.	25.7%	53.8	52.7
Nemo Gas Gathering Company, LLC ("Nemo")	33.9 %	--	0.4
<b>Petrochemical &amp; Refined Products Services:</b>			
Baton Rouge Propylene Concentrator, LLC	30%	11.1	12.6
Centennial Pipeline LLC ("Centennial")	50%	66.7	69.7
Other (2)	Varies	3.8	4.2
<b>Other Investments:</b>			
Energy Transfer Equity	17.5%	1,513.5	1,587.1
LE GP	40.6%	12.1	11.7
<b>Total</b>		<b>\$ 2,416.2</b>	<b>\$ 2,510.7</b>

(1) Evangeline refers to our ownership interests in Evangeline Gas Pipeline Company, L.P. and Evangeline Gas Corp., collectively.

(2) Other unconsolidated affiliates include a 50% interest in a propylene pipeline extending from Mont Belvieu, Texas to La Porte, Texas and a 25% interest in a company that provides logistics communications solutions between petroleum pipelines and their customers.

On occasion, the price we pay to acquire an ownership interest in a company exceeds the underlying book value of the capital accounts we acquire. Such excess cost amounts are included within the carrying values of our investments in unconsolidated affiliates. The following table summarizes the unamortized excess cost amounts by business segment at the dates indicated:

	December 31,	
	2009	2008
NGL Pipelines & Services	\$ 27.1	\$ 28.0
Onshore Crude Oil Pipelines & Services	20.4	21.1
Offshore Pipelines & Service	17.3	18.6
Petrochemical & Refined Products Services	4.0	7.9
Other Investments (1)	1,573.0	1,609.6
<b>Total</b>	<b>\$ 1,641.8</b>	<b>\$ 1,685.2</b>

(1) The Parent Company's initial investment in Energy Transfer Equity and LE GP exceeded its share of the historical cost of the underlying net assets of such investees by \$1.67 billion. At December 31, 2009, this basis differential decreased to \$1.57 billion (after taking into account related amortization amounts) and consisted of the following: \$514.2 million attributed to fixed assets; \$513.5 million attributed to the IDRs (an indefinite-life intangible asset) held by Energy Transfer Equity in the cash flows of ETP; \$209.5 million attributed to amortizable intangible assets and \$335.8 million attributed to equity method goodwill.

We amortize such excess cost amounts as a reduction in equity earnings in a manner similar to depreciation. The following table presents our amortization of such excess cost amounts by business segment for the periods indicated:

	<b>For Year Ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
NGL Pipelines & Services	\$ 0.9	\$ 0.5	\$ 0.6
Onshore Crude Oil Pipelines & Services	0.7	0.7	0.7
Offshore Pipelines & Service	1.3	1.3	1.3
Petrochemical & Refined Products Services	3.9	4.3	5.3
Other Investments	36.6	34.3	26.7
Total	<u>\$ 43.4</u>	<u>\$ 41.1</u>	<u>\$ 34.6</u>

The following table presents our equity in income (loss) of unconsolidated affiliates by business segment for the periods indicated:

	<b>For Year Ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
NGL Pipelines & Services	\$ 11.3	\$ 1.4	\$ 7.1
Onshore Natural Gas Pipelines & Services	4.9	1.6	0.2
Onshore Crude Oil Pipelines & Services	9.3	11.7	2.6
Offshore Pipelines & Services	36.9	33.7	12.6
Petrochemical & Refined Products Services	(11.2 )	(13.5 )	(12.0 )
Other Investments	41.1	31.3	3.1
Total	<u>\$ 92.3</u>	<u>\$ 66.2</u>	<u>\$ 13.6</u>

***NGL Pipelines & Services***

At December 31, 2009, our investees included in our NGL Pipelines & Services segment own: (i) a natural gas processing facility and related assets located in south Louisiana, (ii) an NGL fractionation facility and related storage and pipeline assets located in south Louisiana, (iii) an NGL fractionation facility located in south Louisiana and (iv) a 572-mile pipeline that transports mixed NGLs to markets in southeast Texas.

During 2007, we sold an investment for approximately \$156.0 million in cash and recognized a gain of \$59.6 million, which is included in "Other, net" in our Statement of Consolidated Operations for the year ended December 31, 2007. The sale was required by the U.S. Federal Trade Commission in connection with ending its investigation into the acquisition of TEPPCO GP by privately held affiliates of EPCO in February 2005.

***Onshore Natural Gas Pipelines & Services***

At December 31, 2009, our investees included in our Onshore Natural Gas Pipelines & Services segment own: (i) a natural gas pipeline located in south Louisiana and (ii) a natural gas hub located in northwest Colorado that commenced operations in December 2008.

***Onshore Crude Oil Pipelines & Services***

At December 31, 2009, our investee included in our Onshore Crude Oil Pipelines & Services segment owns a pipeline that transports crude oil from a marine terminal located in Freeport, Texas, to Cushing, Oklahoma, and from a marine terminal located in Texas City, Texas, to refineries in the Texas City and Houston, Texas areas.

***Offshore Pipelines & Services***

At December 31, 2009, our investees included in our Offshore Pipelines & Services segment own: (i) a crude oil pipeline that gathers production from the outer continental shelf and deepwater areas of the

Gulf of Mexico for delivery to onshore locations in south Louisiana, (ii) a crude oil pipeline that gathers production from deepwater areas of the Gulf of Mexico, primarily the South Green Canyon area, for delivery to refineries and terminals in southeast Texas, (iii) a crude oil and natural gas platform that processes production from the Marco Polo, K2, K2 North and Genghis Khan fields located in the South Green Canyon area of the Gulf of Mexico and (iv) natural gas pipeline systems located in the Gulf of Mexico.

During 2007, Cameron Highway repaid two series of notes aggregating \$415.0 million using cash contributions from its partners. We funded our 50% share of the capital contributions using borrowings under EPO's Multi-Year Revolving Credit Facility. Cameron Highway incurred a \$14.1 million make-whole premium in connection with the repayment of its Series A notes.

Also during 2007, we evaluated our equity method investment in Nemo for impairment due to a decrease in throughput volumes primarily due to underperformance of certain fields and natural depletion. As a result of this evaluation, we recorded a \$7.0 million non-cash impairment charge that is a component of "Equity in income of unconsolidated affiliates" on our Consolidated Statement of Operations for the year ended December 31, 2007.

#### ***Petrochemical & Refined Products Services***

At December 31, 2009, the investees included in our Petrochemical & Refined Products Services segment own: (i) a propylene fractionation facility located in south Louisiana, (ii) a propylene pipeline extending from Mont Belvieu, Texas to La Porte, Texas and (iii) an interstate refined products pipeline extending from the upper Texas Gulf Coast to central Illinois that effectively loops our refined products pipeline system providing incremental transportation capacity into Mid-continent markets.

#### ***Other Investments***

This segment reflects the Parent Company's non-controlling ownership interests in Energy Transfer Equity and its general partner, LE GP. In May 2007, the Parent Company paid \$1.65 billion to acquire 38,976,090 common units of Energy Transfer Equity and approximately 34.9% of the membership interests of LE GP. On January 22, 2009, the Parent Company acquired an additional 5.7% membership interest in LE GP for \$0.8 million, which increased our total ownership in LE GP to 40.6%.

The business purpose of LE GP is to manage the affairs and operations of Energy Transfer Equity. LE GP has no separate business activities outside of those conducted by Energy Transfer Equity. LE GP owns a 0.31% general partner interest in Energy Transfer Equity and has no IDRs in the quarterly cash distributions of Energy Transfer Equity.

Energy Transfer Equity currently has no separate operating activities apart from those of ETP. Energy Transfer Equity's principal sources of distributable cash flow are its investments in the limited and general partner interests of ETP as follows:

§ Direct ownership of 62,500,797 ETP limited partner units representing approximately 35% of the total outstanding ETP units.

§ Indirect ownership of the general partner interest of ETP (representing a 1.9% interest as of December 31, 2009) and all associated IDRs held by ETP's general partner, of which Energy Transfer Equity owns 100% of the membership interests.

ETP is a publicly traded partnership owning and operating a diversified portfolio of midstream energy assets. ETP has pipeline operations in Arizona, Colorado, Louisiana, New Mexico and Utah, and owns the largest intrastate pipeline system in Texas. ETP's natural gas operations include intrastate natural gas gathering and transportation pipelines, natural gas treating and processing assets and three natural gas storage facilities located in Texas. ETP is also one of the three largest retail marketers of propane in the United States, serving more than one million customers across the country.

## Summarized Combined Financial Information of Unconsolidated Affiliates

The consolidated balance sheet and results of operations information for the last two years for Energy Transfer Equity is summarized below:

	At December 31,	
	2009	2008
<b>BALANCE SHEET DATA:</b>		
Current assets	\$ 1,268.0	\$ 1,181.0
Property, plant and equipment, net	9,064.5	8,702.5
Other assets	1,828.0	1,186.4
Total assets	\$ 12,160.5	\$ 11,069.9
Current liabilities	\$ 889.7	\$ 1,208.9
Other liabilities	8,050.5	7,521.7
Combined equity	3,220.3	2,339.3
Total liabilities and combined equity	\$ 12,160.5	\$ 11,069.9
<b>For Year Ended December 31,</b>		
	2009	2008
<b>INCOME STATEMENT DATA:</b>		
Revenues	\$ 5,417.3	\$ 9,293.4
Operating income	1,110.4	1,098.9
Net income (1)	442.5	375.0

(1) Net income for Energy Transfer Equity represents net income attributable to the partners of Energy Transfer Equity.

Energy Transfer Equity's income statement data for the year ended December 31, 2007 is excluded from the table above due to Energy Transfer Equity changing its fiscal year end from August 31 to December 31 in November 2007. Energy Transfer Equity did not recast its consolidated financial data for prior fiscal periods; however, it did complete a four month transition period that began on September 1, 2007 and ended December 31, 2007. For the four months ended December 31, 2007, Energy Transfer Equity reported revenues of \$2.35 billion, operating income of \$316.7 million and net income attributable to Energy Transfer Equity of \$92.7 million. For the year ended August 31, 2007, Energy Transfer Equity reported revenues of \$6.79 billion, operating income of \$809.3 million and net income attributable to Energy Transfer Equity of \$319.4 million.

Equity earnings from our investment in Energy Transfer Equity for the year ended December 31, 2009 were \$77.7 million, before \$36.6 million of amortization of excess cost amounts. Equity earnings from this investment for the year ended December 31, 2008 were \$65.6 million, before \$34.3 million of amortization of excess cost amounts.

The combined balance sheet information for the last two years and results of operations data for the last three years for the remainder of our unconsolidated affiliates are summarized below:

	At December 31,		
	2009	2008	
<b>BALANCE SHEET DATA:</b>			
Current assets	\$ 201.0	\$ 240.8	
Property, plant and equipment, net	1,997.2	2,053.3	
Other assets	36.4	23.1	
Total assets	<u>\$ 2,234.6</u>	<u>\$ 2,317.2</u>	
Current liabilities	\$ 118.6	\$ 165.9	
Other liabilities	255.4	282.8	
Combined equity	1,860.6	1,868.5	
Total liabilities and combined equity	<u>\$ 2,234.6</u>	<u>\$ 2,317.2</u>	
<b>For Year Ended December 31,</b>			
	2009	2008	2007
<b>INCOME STATEMENT DATA:</b>			
Revenues	\$ 738.1	\$ 961.7	\$ 794.1
Operating income	169.2	154.3	173.4
Net income	155.9	136.1	110.5

#### Note 10. Business Combinations

The following table presents our cash used for business combinations by segment for the periods indicated:

	For Year Ended December 31,		
	2009	2008	2007
NGL Pipelines & Services	\$ 33.3	\$ 77.0	\$ 0.4
Onshore Natural Gas Pipelines & Services	0.8	125.2	35.5
Petrochemical & Refined Products Services	73.2	351.3	--
Total cash used for business combinations	<u>\$ 107.3</u>	<u>\$ 553.5</u>	<u>\$ 35.9</u>

The following table depicts the fair value allocation of assets acquired and liabilities assumed for our business combinations for the periods indicated:

	For Year Ended December 31,		
	2009	2008	2007
<b>Assets acquired in business combination:</b>			
Current assets	\$ 1.4	\$ 6.6	\$ --
Property, plant and equipment, net	115.9	549.6	44.5
Intangible assets	0.3	92.5	(8.5)
Other assets	(0.3)	0.4	--
Total assets acquired	<u>117.3</u>	<u>649.1</u>	<u>36.0</u>
<b>Liabilities assumed in business combination:</b>			
Current liabilities	0.3	(3.2)	--
Long-term debt	--	(2.6)	--
Other long-term liabilities	--	(109.5)	(1.2)
Total liabilities assumed	<u>0.3</u>	<u>(115.3)</u>	<u>(1.2)</u>
Total assets acquired plus liabilities assumed	117.6	533.8	34.8
Noncontrolling interest acquired	10.3	--	--
Fair value of 4,854,899 TEPPCO units	--	186.6	--
Total cash used for business combinations	<u>107.3</u>	<u>553.5</u>	<u>35.9</u>
<b>Goodwill (1)</b>	<u>\$ --</u>	<u>\$ 206.3</u>	<u>\$ 1.1</u>

(1) See Note 11 for additional information regarding goodwill.

On a pro forma consolidated basis, our revenues, costs and expenses, operating income, net income attributable to Enterprise GP Holdings L.P. and earnings per unit amounts would not have differed materially from those we actually reported for 2009, 2008 and 2007 due to the immaterial nature of our business combination transactions for those respective periods.

#### **2009 Transactions**

Our business combinations during 2009 primarily consisted of:

- § the acquisition of certain rail and truck terminal facilities located in Mont Belvieu, Texas from Martin Midstream Partners LP for \$23.7 million in cash;
- § the acquisition of tow boats and tank barges primarily based in Miami, Florida, with additional assets located in Mobile, Alabama and Houston, Texas from TransMontaigne Product Services Inc. for \$50.0 million in cash; and
- § the acquisition of a majority interest in the Rio Grande Pipeline Company ("Rio Grande") purchased from HEP Navajo Southern L.P. for \$32.8 million in cash. Rio Grande owns an NGL pipeline system in Texas.

#### **2008 Transactions**

Great Divide Gathering System Acquisition. In December 2008, one of our subsidiaries, Enterprise Gas Processing, LLC, purchased a 100% membership interest in Great Divide Gathering, LLC ("Great Divide") for cash consideration of \$125.2 million. Great Divide was wholly owned by EnCana Oil & Gas ("EnCana").

The assets of Great Divide consist of a 32-mile natural gas gathering system, the Great Divide Gathering System, located in the Piceance Basin of northwest Colorado. The Great Divide Gathering System extends from the southern portion of the Piceance Basin, including production from EnCana's Mamm Creek field, to a pipeline interconnection with our Piceance Basin Gathering System. Volumes of natural gas originating on the Great Divide Gathering System are transported through our Piceance Creek Gathering System to our 1.7 Bcf/d Meeker natural gas treating and processing complex. A significant portion of these volumes are produced by EnCana and are dedicated to the Great Divide and Piceance Creek Gathering Systems for the life of the associated lease holdings.

Cenac and Horizon Acquisitions. In February 2008, TEPPCO entered the marine transportation business for refined products, crude oil and condensate through the purchase of assets from Cenac Towing Co., Inc., Cenac Offshore, L.L.C. and Mr. Arlen B. Cenac, Jr. (collectively "Cenac"). The aggregate value of total consideration TEPPCO paid or issued to complete this business combination was \$444.7 million, which consisted of \$258.1 million in cash and 4,854,899 newly issued TEPPCO units. Additionally, TEPPCO assumed approximately \$63.2 million of Cenac's debt in the transaction. TEPPCO acquired 42 tow boats, 89 tank barges and the economic benefit of certain related commercial agreements. This business serves refineries and storage terminals along the Mississippi, Illinois and Ohio rivers and the Intracoastal Waterway between Texas and Florida. These assets also gather crude oil from production facilities and platforms along the U.S. Gulf Coast. TEPPCO used a short-term credit facility to finance the cash portion of the acquisition price and to repay the \$63.2 million of debt assumed in this transaction.

Also in February 2008, TEPPCO purchased related marine assets from Horizon Maritime, L.L.C. ("Horizon"), a privately held Houston-based company and an affiliate of Cenac, for \$80.8 million in cash. In this transaction, TEPPCO acquired seven tow boats, 17 tank barges, rights to two tow boats under construction and the economic benefit of certain related commercial agreements. In April 2008, TEPPCO paid an additional \$3.0 million to Horizon pursuant to the purchase agreement upon delivery of one of the tow boats under construction, and in June 2008, TEPPCO paid an additional \$3.8 million upon delivery of the second tow boat. These vessels transport asphalt, heavy fuel oil and other heated oil products to storage

facilities and refineries along the Mississippi, Illinois and Ohio Rivers and the Intracoastal Waterway. TEPPCO used a short-term credit facility to finance this acquisition.

The results of operations related to these assets are included in our Statements of Consolidated Operations beginning at the date of acquisition.

**Other Transactions.** Other business combinations during 2008 primarily consisted of the acquisition of a natural gas gathering system located in the Piceance Basin of northwestern Colorado and additional interests in three consolidated NGL pipeline systems located along the U.S. Gulf Coast and southeastern United States.

**2007 Transactions**

Our expenditures for business combinations during the year ended December 31, 2007 primarily relate to the acquisition of a business with natural gas pipelines located in southeast Texas.

**Note 11. Intangible Assets and Goodwill**

**Identifiable Intangible Assets**

The following table summarizes our intangible assets by segment at the dates indicated:

	December 31, 2009			December 31, 2008		
	Gross Value	Accum. Amort.	Carrying Value	Gross Value	Accum. Amort.	Carrying Value
<b>NGL Pipelines &amp; Services: (1)</b>						
Customer relationship intangibles	\$ 237.4	\$ (86.5)	\$ 150.9	\$ 237.4	\$ (68.7)	\$ 168.7
Contract-based intangibles	321.4	(156.7)	164.7	320.3	(137.6)	182.7
Segment total	558.8	(243.2)	315.6	557.7	(206.3)	351.4
<b>Onshore Natural Gas Pipelines &amp; Services:</b>						
Customer relationship intangibles (2)	372.0	(124.3)	247.7	372.0	(103.2)	268.8
Contract-based intangibles	565.3	(285.8)	279.5	565.3	(249.7)	315.6
Segment total	937.3	(410.1)	527.2	937.3	(352.9)	584.4
<b>Onshore Crude Oil Pipelines &amp; Services:</b>						
Contract-based intangibles	10.0	(3.5)	6.5	10.0	(3.1)	6.9
Segment total	10.0	(3.5)	6.5	10.0	(3.1)	6.9
<b>Offshore Pipelines &amp; Services:</b>						
Customer relationship intangibles	205.8	(105.3)	100.5	205.8	(90.7)	115.1
Contract-based intangibles	1.2	(0.2)	1.0	1.2	(0.1)	1.1
Segment total	207.0	(105.5)	101.5	207.0	(90.8)	116.2
<b>Petrochemical &amp; Refined Products Services: (3)</b>						
Customer relationship intangibles	104.6	(18.8)	85.8	104.9	(13.8)	91.1
Contract-based intangibles	42.1	(13.9)	28.2	41.1	(8.2)	32.9
Segment total	146.7	(32.7)	114.0	146.0	(22.0)	124.0
Total all segments	\$ 1,859.8	\$ (795.0)	\$ 1,064.8	\$ 1,858.0	\$ (675.1)	\$ 1,182.9

- (1) In 2008, we acquired \$6.0 million of certain permits related to our Mont Belvieu complex and had \$12.7 million of purchase price allocation adjustments related to San Felipe customer relationships from a 2007 business combination.
- (2) In 2008, we acquired \$9.8 million of customer relationships due to the Great Divide business combination.
- (3) Amount includes a non-cash impairment charge of \$0.6 million in 2009 related to certain intangible assets, see Note 6 for additional information.

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The following table presents the amortization expense of our intangible assets by segment for the periods indicated:

	For Year Ended December 31,		
	2009	2008	2007
NGL Pipelines & Services	\$ 36.9	\$ 40.7	\$ 38.2
Onshore Natural Gas Pipelines & Services	57.2	61.7	64.4
Onshore Crude Oil Pipelines & Services	0.4	0.5	0.5
Offshore Pipelines & Services	14.7	16.9	19.3
Petrochemical & Refined Products Services	10.7	10.2	2.8
Total all segments	<u>\$ 119.9</u>	<u>\$ 130.0</u>	<u>\$ 125.2</u>

The following table presents forecasted amortization expense associated with existing intangible assets for the years presented:

2010	2011	2012	2013	2014
\$ 112.2	\$ 105.0	\$ 89.4	\$ 82.4	\$ 78.1

In general, our intangible assets fall within two categories – customer relationship and contract-based intangible assets. The values assigned to such intangible assets are amortized to earnings using either (i) a straight-line approach or (ii) other methods that closely resemble the pattern in which the economic benefits of associated resource bases are estimated to be consumed or otherwise used, as appropriate.

**Customer relationship intangible assets.** Customer relationship intangible assets represent the estimated economic value assigned to certain relationships acquired in connection with business combinations and asset purchases whereby (i) we acquired information about or access to customers and now have regular contact with them and (ii) the customers now have the ability to make direct contact with us. Customer relationships may arise from contractual arrangements (such as supplier contracts and service contracts) and through means other than contracts, such as through regular contact by sales or service representatives.

At December 31, 2009, the carrying value of our customer relationship intangible assets was \$584.9 million. The following information summarizes the significant components of this category of intangible assets:

- § San Juan Gathering System customer relationships – We acquired these customer relationships in connection with the GulfTerra Merger, which was completed on September 30, 2004. At December 31, 2009, the carrying value of this group of intangible assets was \$220.8 million. These intangible assets are being amortized to earnings over their estimated economic life of 35 years through 2039. Amortization expense is recorded using a method that closely resembles the pattern in which the economic benefits of the underlying natural gas resource bases are expected to be consumed or otherwise used.
- § Offshore Pipeline & Platform customer relationships – We acquired these customer relationships in connection with the GulfTerra Merger. At December 31, 2009, the carrying value of this group of intangible assets was \$100.5 million. These intangible assets are being amortized to earnings over their estimated economic lives, which range from 18 to 33 years (i.e., through 2022 to 2037). Amortization expense is recorded using a method that closely resembles the pattern in which the economic benefits of the underlying crude oil and natural gas resource bases are expected to be consumed or otherwise used.
- § Encinal natural gas processing customer relationship – We acquired this customer relationship in connection with our Encinal acquisition in 2006. At December 31, 2009, the carrying value of this intangible asset was \$89.3 million. This intangible asset is being amortized to earnings over its estimated economic life of 20 years through 2026. Amortization expense is recorded using a method that closely resembles the pattern in which the economic benefit of the underlying natural gas resource bases are expected to be consumed or otherwise used.



**Contract-based intangible assets.** Contract-based intangible assets represent specific commercial rights we acquired in connection with business combinations or asset purchases. At December 31, 2009, the carrying value of our contract-based intangible assets was \$479.9 million. The following information summarizes the significant components of this category of intangible assets:

- § Jonah Gas Gathering Company (“Jonah”) natural gas gathering agreements – These intangible assets represent the value attributed to certain of Jonah’s natural gas gathering contracts that were originally acquired by TEPPCO in 2001. At December 31, 2009, the carrying value of this group of intangible assets was \$125.0 million. These intangible assets are being amortized to earnings using a units-of-production method based on throughput volumes on the Jonah system, which is estimated to extend through 2041.
- § Val Verde natural gas gathering agreements – These intangible assets represent the value attributed to certain natural gas gathering agreements associated with our Val Verde Gathering System that was originally acquired by TEPPCO in 2002. At December 31, 2009, the carrying value of these intangible assets was \$98.4 million. These intangible assets are being amortized to earnings using a units-of-production method based on throughput volumes on the Val Verde Gathering System, which is estimated to extend through 2032.
- § Shell Processing Agreement – This margin-band/keepwhole processing agreement grants us the right to process Shell Oil Company’s (or its assignee’s) current and future natural gas production within the state and federal waters of the Gulf of Mexico. We acquired the Shell Processing Agreement in connection with our 1999 purchase of certain of Shell’s midstream energy assets located along the U.S. Gulf Coast. At December 31, 2009, the carrying value of this intangible asset was \$105.9 million. This intangible asset is being amortized to earnings on a straight-line basis over its estimated economic life of 20 years through 2019.
- § Mississippi natural gas storage contracts – These intangible assets represent the value assigned by us to certain natural gas storage contracts associated with our Petal and Hattiesburg, Mississippi storage facilities. These facilities were acquired in connection with the GulfTerra Merger. At December 31, 2009, the carrying value of these intangible assets was \$55.4 million. These intangible assets are being amortized to earnings on a straight-line basis over the remainder of their respective contract terms, which range from eight to 18 years (i.e. 2012 through 2022).

#### Goodwill

Goodwill represents the excess of the purchase price of an acquired business over the amounts assigned to assets acquired and liabilities assumed in the transaction. Goodwill is not amortized; however, it is subject to annual impairment testing at the end of each fiscal year. The following table presents the changes in the carrying amount of goodwill for the periods presented:

	NGL Pipelines & Services	Onshore Natural Gas Pipelines & Services	Onshore Crude Oil Pipelines & Services	Offshore Pipelines & Services	Petrochemical & Refined Products Services
Balance at January 1, 2007	\$ 224.8	\$ 284.9	\$ 303.0	\$ 82.1	\$ 91.7
Goodwill related to acquisitions	1.2	--	--	--	--
Balance at December 31, 2007	226.0	284.9	303.0	82.1	91.7
Goodwill related to acquisitions	115.2	--	--	--	9.3
Balance at December 31, 2008	341.2	284.9	303.0	82.1	1,000.3
Impairment charges (1)	--	--	--	--	(0.3)
Balance at December 31, 2009 (2)	\$ 341.2	\$ 284.9	\$ 303.0	\$ 82.1	\$ 1,000.0

(1) See Note 6 for additional information regarding impairment charges recorded during year ended December 31, 2009.

(2) The total carrying amount of goodwill at December 31, 2009 is reflected net of \$1.3 million of accumulated impairment charges.

Our goodwill impairment testing involves the determination of a reporting unit's fair value, which is predicated based on our assumptions regarding the future economic prospects of the reporting unit. Such assumptions include (i) discrete financial forecasts for the assets contained within the reporting unit, which rely on management's estimates of operating margins and transportation volumes; (ii) long-term growth rates for cash flows beyond the discrete forecast period; and (iii) appropriate discount rates. Based on our most recent goodwill impairment testing, each reporting unit's fair value was substantially in excess (a minimum of 10%) of its carrying value.

The following table summarizes components of our goodwill amounts by segment at the dates indicated:

	December 31,	
	2009	2008
<b>NGL Pipelines &amp; Services</b>		
Acquisition of ownership interests in TEPPCO	\$ 72.2	\$ 72.2
GulfTerra Merger	23.8	23.8
Acquisition of Encinal	95.3	95.3
Acquisition of interest in Dixie	80.3	80.3
Acquisition of Great Divide	44.9	44.9
Acquisition of Indian Springs natural gas processing business	13.2	13.2
Other	11.5	11.5
<b>Onshore Natural Gas Pipelines &amp; Services</b>		
GulfTerra Merger	279.9	279.9
Other	5.0	5.0
<b>Onshore Crude Oil Pipeline &amp; Services</b>		
Acquisition of ownership interests in TEPPCO	288.8	288.8
Acquisition of crude oil pipeline and services business	14.2	14.2
<b>Offshore Pipelines &amp; Services</b>		
GulfTerra Merger	82.1	82.1
<b>Petrochemical &amp; Refined Products Services</b>		
Acquisition of ownership interests in TEPPCO	842.3	842.3
Acquisition of marine services businesses	90.4	90.4
Acquisition of Mont Belvieu propylene fractionation business	73.7	73.7
Other (1)	0.7	2.0
Total	<u>\$ 2,018.3</u>	<u>\$ 2,019.6</u>

(1) Includes a non-cash impairment charge of \$1.3 million, see Note 6 for additional information.

Goodwill attributable to the acquisition of ownership interests in TEPPCO. As a result of our ownership of 100% of the limited and general partner interests of TEPPCO following the recently completed TEPPCO Merger, we applied push down accounting to the \$1.2 billion of goodwill recorded by affiliates of EPCO (which are under common control with us) when they acquired 100% of the membership interests of TEPPCO GP and 4,400,000 TEPPCO limited partner units from a third-party in February 2005. The \$1.2 billion in push down goodwill represents the excess of the purchase price paid by such affiliates to acquire ownership interests in TEPPCO in February 2005 over the respective fair value of assets acquired and liabilities assumed in the February 2005 transaction. Management attributes the \$1.2 billion of goodwill to the future economic benefits we may realize from our ownership of TEPPCO, including anticipated commercial synergies and cost savings.

TEPPCO owns and operates an extensive network of assets that facilitate the movement, marketing, gathering and storage services of various commodities and energy-related products. TEPPCO's pipeline network is comprised of approximately 12,500 miles of pipelines that gather and transport refined products, crude oil, natural gas and NGLs, including one of the largest common carrier pipelines for refined products in the United States. TEPPCO also owns a marine services business that transports refined products, crude oil, asphalt, condensate, heavy fuel oil and other heated oil products via tow boats and tank barges. In addition, TEPPCO owns interests in the Seaway and Centennial pipeline systems.

Goodwill attributable to GulfTerra Merger. Goodwill recorded in connection with the GulfTerra Merger can be attributed to our belief (at the time the merger was consummated) that the combined

partnerships would benefit from the strategic location of each partnership's assets and the industry relationships that each possessed. In addition, we expected that various operating synergies could develop (such as reduced general and administrative costs and interest savings) that would result in improved financial results for the merged entity. Based on miles of pipelines, GulfTerra was one of the largest natural gas gathering and transportation companies in the United States, serving producers in the central and western Gulf of Mexico and onshore in Texas and New Mexico. These regions offer us significant growth potential through the acquisition and construction of additional pipelines, platforms, processing and storage facilities and other midstream energy infrastructure.

*Acquisition of Encinal.* Management attributes goodwill recorded in connection with the Encinal acquisition to potential future benefits we may realize from our other south Texas processing and NGL businesses as a result of acquiring the Encinal business. Specifically, our acquisition of the long-term dedication rights associated with the Encinal business is expected to add value to our south Texas processing facilities and related NGL businesses due to increased volumes. The Encinal goodwill is recorded as part of the NGL Pipelines & Services business segment due to management's belief that such future benefits will accrue to businesses classified within this segment.

*Acquisition of Dixie and Great Divide.* In 2008, we recorded goodwill in connection with our acquisition of the remaining third-party interest in Dixie and with the acquisition of Great Divide. The remaining ownership interests in Dixie were acquired from Amoco Pipeline Holding Company in August 2008. Management attributes the goodwill to future earnings growth on the Dixie Pipeline. Specifically, a 100% ownership interest in the Dixie Pipeline will increase our flexibility to pursue future opportunities. Great Divide was acquired from EnCana in December 2008. The Great Divide goodwill is attributable to management's expectations of future economics benefits derived from incremental natural gas processing margins and other downstream activities.

The Dixie and Great Divide goodwill amounts are recorded as part of the NGL Pipelines & Services business segment due to management's belief that such future benefits will accrue to businesses classified within this segment.

*Acquisition of Cenac and Horizon.* Also in 2008, we recorded goodwill in connection with our acquisition of marine services businesses, which are recorded as a part of the Petrochemical & Refined Products Services business segment due to management's belief of potential future economic benefits we expect to realize as a result of acquiring these assets.

*Other goodwill amounts.* The remainder of our goodwill amounts are associated with prior acquisitions, principally that of our crude oil pipeline and services business originally purchased by TEPPCO in 2001, our purchase of a propylene fractionation business in February 2002 and our acquisition of indirect ownership interests in the Indian Springs natural gas gathering and processing business in January 2005.

## Note 12. Debt Obligations

Our consolidated debt obligations consisted of the following at the dates indicated:

	December 31,	
	2009	2008
Parent Company debt obligations:		
EPE Revolver, variable-rate, due September 2012	\$ 123.5	\$ 102.0
\$125.0 million Term Loan A, variable-rate, due September 2012	125.0	125.0
\$850.0 Term Loan B, variable-rate, due November 2014 (1)	833.0	850.0
EPO senior debt obligations:		
Multi-Year Revolving Credit Facility, variable-rate, due November 2012	195.5	800.0
Pascagoula MBFC Loan, 8.70% fixed-rate, due March 2010 (1)	54.0	54.0
Petal GO Zone Bonds, variable-rate, due August 2037	57.5	57.5
Yen Term Loan, 4.93% fixed-rate, due March 2009	--	217.6
Senior Notes B, 7.50% fixed-rate, due February 2011	450.0	450.0
Senior Notes C, 6.375% fixed-rate, due February 2013	350.0	350.0
Senior Notes D, 6.875% fixed-rate, due March 2033	500.0	500.0
Senior Notes F, 4.625% fixed-rate, due October 2009	--	500.0
Senior Notes G, 5.60% fixed-rate, due October 2014	650.0	650.0
Senior Notes H, 6.65% fixed-rate, due October 2034	350.0	350.0
Senior Notes I, 5.00% fixed-rate, due March 2015	250.0	250.0
Senior Notes J, 5.75% fixed-rate, due March 2035	250.0	250.0
Senior Notes K, 4.95% fixed-rate, due June 2010 (1)	500.0	500.0
Senior Notes L, 6.30% fixed-rate, due September 2017	800.0	800.0
Senior Notes M, 5.65% fixed-rate, due April 2013	400.0	400.0
Senior Notes N, 6.50% fixed-rate, due January 2019	700.0	700.0
Senior Notes O, 9.75% fixed-rate, due January 2014	500.0	500.0
Senior Notes P, 4.60% fixed-rate, due August 2012	500.0	--
Senior Notes Q, 5.25% fixed-rate, due January 2020	500.0	--
Senior Notes R, 6.125% fixed-rate, due October 2039	600.0	--
Senior Notes S, 7.625% fixed-rate, due February 2012 (2)	490.5	--
Senior Notes T, 6.125% fixed-rate, due February 2013 (2)	182.5	--
Senior Notes U, 5.90% fixed-rate, due April 2013 (2)	237.6	--
Senior Notes V, 6.65% fixed-rate, due April 2018 (2)	349.7	--
Senior Notes W, 7.55% fixed-rate, due April 2038 (2)	399.6	--
TEPPCO senior debt obligations:		
TEPPCO Revolving Credit Facility, variable-rate, due December 2012	--	516.7
TEPPCO Senior Notes (2)	40.1	1,700.0
Duncan Energy Partners' debt obligations:		
DEP Revolving Credit Facility, variable-rate, due February 2011	175.0	202.0
DEP Term Loan, variable-rate, due December 2011	282.3	282.3
Total principal amount of senior debt obligations	10,845.8	11,107.1
EPO Junior Subordinated Notes A, fixed/variable-rate, due August 2066	550.0	550.0
EPO Junior Subordinated Notes B, fixed/variable-rate, due January 2068	682.7	682.7
EPO Junior Subordinated Notes C, fixed/variable-rate, due June 2067 (2)	285.8	--
TEPPCO Junior Subordinated Notes, fixed/variable-rate, due June 2067 (2)	14.2	300.0
Total principal amount of senior and junior debt obligations	12,378.5	12,639.8
Other, non-principal amounts:		
Change in fair value of debt-related derivative instruments (see Note 6)	44.4	51.9
Unamortized discounts, net of premiums	(18.7)	(12.6)
Unamortized deferred net gains related to terminated interest rate swaps (see Note 6)	23.7	35.8
Total other, non-principal amounts	49.4	75.1
Total long-term debt	\$ 12,427.9	\$ 12,714.9

- (1) Long-term and current maturities of debt reflect the classification of such obligations at December 31, 2009. With respect to the \$8.5 million due under Term Loan B, the Parent Company has the ability to use available credit capacity under the EPE Revolver to fund repayment of this amount. In addition, EPO has the ability to use available borrowing capacity under its Multi-Year Revolving Credit Facility to fund the repayments of the Pascagoula MBFC Loan and Senior Notes K.
- (2) Substantially all of TEPPCO debt obligations were exchanged for a corresponding series of new EPO notes in October 2009 in connection with the TEPPCO Merger.

### **Letters of Credit**

At December 31, 2009, EPO had outstanding a \$50.0 million letter of credit related to its commodity derivative instruments and a \$58.3 million letter of credit related to its Petal GO Zone Bonds. These letter of credit facilities do not reduce the amount available for borrowing under EPO's credit facilities.

### **Subsidiary Guarantor Relationships**

Enterprise Products Partners acts as guarantor of the consolidated debt obligations of EPO with the exception of the DEP Revolving Credit Facility and the DEP Term Loan Agreement. If EPO were to default on any of its guaranteed debt, Enterprise Products Partners L.P. would be responsible for full repayment of that obligation. Additionally, TEPPCO's remaining debt obligations are non-recourse to Enterprise Products Partners.

### **Parent Company's Debt Obligations**

The Parent Company consolidates the debt obligations of Enterprise Products Partners; however, the Parent Company does not have the obligation to make interest or debt payments with respect to such consolidated debt obligations.

**EPE Interim Credit Facility.** In May 2007, the Parent Company executed a \$1.9 billion interim credit facility (the "EPE Interim Credit Facility") in connection with its acquisition of equity interests in Energy Transfer Equity and LE GP. The EPE Interim Credit Facility provided for a \$200.0 million revolving credit facility and \$1.7 billion of term loans. In August 2007, the Parent Company refinanced the \$1.2 billion then outstanding under the EPE Interim Credit Facility using proceeds from its EPE August 2007 Credit Agreement.

**EPE August 2007 Credit Agreement.** The \$1.2 billion EPE August 2007 Credit Agreement provided for a \$200.0 million revolving credit facility (the "EPE Revolver"), a \$125.0 million term loan ("Term Loan A") and an \$850.0 million term loan (the "Term Loan A-2"). The EPE Revolver replaced the \$200.0 million revolver associated with the EPE Interim Credit Facility and Term Loan A and Term Loan A-2 refinanced amounts then outstanding under the term loans associated with the EPE Interim Credit Facility. Amounts borrowed under the EPE Revolver and Term Loan A mature in September 2012. Amounts borrowed under Term Loan A-2 were refinanced in November 2007 with proceeds from a term loan (Term Loan B – described below) due November 2014.

Borrowings under the EPE August 2007 Credit Agreement are secured by the Parent Company's ownership of (i) 20,242,179 common units of Enterprise Products Partners, (ii) 100% of the membership interests in EPGP and (iii) 38,976,090 common units of Energy Transfer Equity.

The EPE Revolver may be used by the Parent Company to fund working capital and other capital requirements and for general partnership purposes. The EPE Revolver offers secured ABR loans ("ABR Loans") and Eurodollar loans ("Eurodollar Loans") each having different interest requirements.

ABR Loans bear interest at an alternative base rate (the "Alternative Base Rate") plus an applicable rate (the "Applicable Rate"). The Alternative Base Rate is a rate per annum equal to the greater of: (i) the annual interest rate publicly announced by Citibank, N.A. as its base rate in effect at its principal office in New York, New York (the "Prime Rate") in effect on such day and (ii) the federal funds effective rate in effect on such day plus 0.50%. The Applicable Rate for ABR Loans will be increased by an applicable margin ranging from 0% to 1.0% per annum. The Eurodollar Loans bear interest at a "LIBOR rate" (as defined in the August 2007 Credit Agreement) plus the Applicable Rate. The Applicable Rate for Eurodollar Loans will be increased by an applicable margin ranging from 1.00% to 2.50% per annum.

All borrowings outstanding under Term Loan A will, at the Parent Company's option, be made and maintained as ABR Loans or Eurodollar Loans, or a combination thereof. Any amount repaid under

the Term Loan A may not be reborrowed.

In November 2007, the Parent Company executed a seven-year, \$850 million senior secured term loan ("Term Loan B") in the institutional leveraged loan market. Proceeds from the Term Loan B were used to permanently refinance borrowings outstanding under the partnership's \$850 million Term Loan A-2. The Term Loan B generally bears interest at LIBOR plus 2.25% and is scheduled to mature in November 2014. The Term Loan B is callable by the partnership at par.

The EPE August 2007 Credit Agreement contains various covenants related to the Parent Company's ability to incur certain indebtedness, grant certain liens, make fundamental structural changes, make distributions following an event of default and enter into certain restricted agreements. The credit agreement also requires the Parent Company to satisfy certain quarterly financial covenants.

#### ***EPO's Debt Obligations***

***Multi-Year Revolving Credit Facility.*** EPO has in place a \$1.75 billion unsecured revolving credit facility, including the issuance of letters of credit ("Multi-Year Revolving Credit Facility"), which matures in November 2012. This credit facility has a term-out option that allows for EPO on the maturity date to convert the principal balance of all revolving loans then outstanding into a non-revolving one-year term loan. The credit facility allows EPO to request unlimited one-year extensions of the maturity date, subject to lender approval. The total amount of the bank commitments may be increased, without the consent of the lenders, by an amount not exceeding \$500.0 million by adding one or more lenders to the facility and/or requesting that the commitments of existing lenders be increased.

As defined by the credit agreement, variable interest rates charged under this facility bear interest at a Eurodollar rate plus an applicable margin. In addition, EPO is required to pay a quarterly facility fee on each lender's commitment irrespective of commitment usage. The applicable margins will be increased by 0.1% per annum for each day that the total outstanding loans and letter of credit obligations under the facility exceeds 50% of the total lender commitments. Also, if EPO exercises its term-out option at the maturity date, the applicable margin will increase by 0.125% per annum and, if immediately prior to such election, the total amount of outstanding loans and letter of credit obligations under the facility exceeds 50% of the total lender commitments, the applicable margin with respect to the term loan will increase by an additional 0.1% per annum.

The Multi-Year Revolving Credit Facility contains certain financial and other customary affirmative and negative covenants. The credit agreement also restricts EPO's ability to pay cash distributions to Enterprise Products Partners if a default or an event of default (as defined in the credit agreement) has occurred and is continuing at the time such distribution is scheduled to be paid.

EPO's borrowings under this agreement are unsecured general obligations that are non-recourse to EPGP. Enterprise Products Partners has guaranteed repayment of amounts due under this revolving credit agreement through an unsecured guarantee.

***Pascagoula MBFC Loan.*** This loan, from the Mississippi Business Finance Corporation ("MBFC"), matured on March 1, 2010 and was repaid.

***Petal GO Zone Bonds.*** In August 2007, Petal Gas Storage, L.L.C. ("Petal"), a wholly owned subsidiary of EPO, borrowed \$57.5 million from the MBFC pursuant to a loan agreement and promissory note between Petal and the MBFC. The promissory note between Petal and MBFC is guaranteed by EPO and supported by a letter of credit issued by a bank that expires in August 2014. On the same date, the MBFC issued \$57.5 million in Gulf Opportunity Zone Tax-Exempt ("GO Zone") bonds to various third parties. The promissory note and the GO Zone bonds have identical terms including floating interest rates and maturities of 30 years.

***Petal MBFC Loan.*** In August 2007, Petal entered into a loan agreement and a promissory note with the MBFC under which Petal may borrow up to \$29.5 million. On the same date, the MBFC issued

taxable bonds to EPO in the maximum amount of \$29.5 million. At December 31, 2009, there was \$8.9 million outstanding under the loan and the bonds. The promissory note and the taxable bonds have identical terms. The loan and bonds and the related interest expense and income amounts are netted in preparing our consolidated financial statements.

**Japanese Yen Term Loan.** In November 2008, EPO executed the Yen Term Loan in the amount of approximately 20.7 billion yen (approximately \$217.6 million U.S. Dollar equivalent on the closing date). EPO entered into foreign exchange currency swaps that effectively converted the loan into a U.S. Dollar loan with a fixed interest rate of approximately 4.93%. The Yen Term Loan matured on March 30, 2009. Additionally, EPO executed a forward purchase exchange (yen principal and interest due) at an exchange rate of 94.515 to eliminate foreign exchange risk, resulting in a payment of US\$221.6 million on March 30, 2009.

**364-Day Revolving Credit Facility.** From November 2008 through June 2009, EPO had a \$375.0 million standby credit facility. The facility was never utilized and was terminated in June 2009 under its terms as a result of issuing senior notes.

**Senior Notes.** EPO's senior fixed-rate notes are unsecured obligations of EPO and rank equally with its existing and future unsecured and unsubordinated indebtedness. They are senior to any future subordinated indebtedness. EPO's borrowings under these notes are non-recourse to EPGP. Enterprise Products Partners has guaranteed repayment of amounts due under these notes through an unsecured and unsubordinated guarantee. Enterprise Products Partners' guarantee of such notes is non-recourse to EPGP. EPO's senior notes are subject to make-whole redemption rights and were issued under indentures containing certain covenants, which generally restrict EPO's ability, with certain exceptions, to incur debt secured by liens and engage in sale and leaseback transactions.

In June 2009, EPO issued \$500.0 million in principal amount of 3-year senior unsecured notes (Senior Notes P) at 99.95% of their principal amount. In October 2009, EPO issued: (i) \$500.0 million in principal amount of 10-year unsecured notes (Senior Notes Q) at 99.355% of their principal amount and (ii) \$600.0 million in principal amount of 30-year unsecured notes (Senior Notes R) at 99.386% of their principal amount. Net proceeds from the issuance of these senior notes were used (i) to repay amounts borrowed under a \$200.0 million term loan that EPO entered into during April 2009, (ii) to repay \$500.0 million in aggregate principal amount of Senior Notes F that matured in October 2009, (iii) to temporarily reduce borrowings outstanding under EPO's Multi-Year Revolving Credit Facility and (iv) for general partnership purposes.

In connection with the TEPPCO Merger, EPO offered to exchange all of TEPPCO's outstanding senior notes for a corresponding series of new EPO senior notes. The exchanges were completed on October 27, 2009 as follows:

TEPPCO Notes Exchanged	Corresponding Series of New EPO Notes	Aggregate Principal Amount	Principal Amount Exchanged	Principal Amount Remaining
TEPPCO Senior Notes, 7.625% fixed-rate, due February 2012	Senior Notes S, 7.625% fixed-rate, due February 2012	\$ 500.0	\$ 490.5	\$ 9.5
TEPPCO Senior Notes, 6.125% fixed-rate, due February 2013	Senior Notes T, 6.125% fixed-rate, due February 2013	200.0	182.5	17.5
TEPPCO Senior Notes, 5.90% fixed-rate, due April 2013	Senior Notes U, 5.90% fixed-rate, due April 2013	250.0	237.6	12.4
TEPPCO Senior Notes, 6.65% fixed-rate, due April 2018	Senior Notes V, 6.65% fixed-rate, due April 2018	350.0	349.7	0.3
TEPPCO Senior Notes, 7.55% fixed-rate, due April 2038	Senior Notes W, 7.55% fixed-rate, due April 2038	400.0	399.6	0.4
		<u>\$ 1,700.0</u>	<u>\$ 1,659.9</u>	<u>\$ 40.1</u>

**Junior Subordinated Notes.** EPO's payment obligations under its junior notes are subordinated to all of its current and future senior indebtedness (as defined in the related indenture agreement). Enterprise Products Partners has guaranteed repayment of amounts due under these notes through an unsecured and

subordinated guarantee. The indenture agreement governing these notes allows EPO to defer interest payments on one or more occasions for up to ten consecutive years subject to certain conditions. During any period in which interest payments are deferred and subject to certain exceptions, neither Enterprise Products Partners nor EPO can declare or make any distributions to any of its respective equity securities or make any payments on indebtedness or other obligations that rank pari passu with or are subordinate to the junior notes. Each series of our subordinated junior notes are ranked equally with each other. Generally, each series of junior subordinated notes are not redeemable by EPO without payment of a make-whole premium which the notes bear interest at a fixed annual rate.

In connection with the issuance of each series of junior subordinated notes, EPO entered into separate Replacement Capital Covenants in favor of covered debt holders (as defined in the underlying documents) pursuant to which EPO agreed for the benefit of such debt holders that it would not redeem or repurchase such junior notes unless such redemption or repurchase is made using proceeds from the issuance of certain securities.

In connection with the TEPPCO Merger, EPO offered to exchange TEPPCO's outstanding junior subordinated notes for a corresponding series of new EPO junior subordinated notes. The exchange was completed on October 27, 2009:

TEPPCO Notes Exchanged	Corresponding Series of New EPO Notes	Aggregate Principal Amount	Principal Amount Exchanged	Principal Amount Remaining
TEPPCO Junior Subordinated Notes, fixed/variable-rate, due June 2067	EPO Junior Subordinated Notes C, fixed/variable-rate, due June 2067	\$ 300.0	\$ 285.8	\$ 14.2

The following table summarizes the interest rate terms of our junior subordinated notes:

Series	Fixed Annual Interest Rate	Variable Annual Interest Rate Thereafter
Junior Subordinated Notes A	8.375% through August 2016 (1)	3-month LIBOR rate + 3.708% (4)
Junior Subordinated Notes B	7.034% through January 2018 (2)	Greater of: (i) 3-month LIBOR rate + 2.68% or (ii) 7.034% (5)
Junior Subordinated Notes C	7.00% through June 2017 (3)	3-month LIBOR rate + 2.778% (6)

- (1) Interest is payable semi-annually in arrears in February and August of each year, which commenced in February 2007.
- (2) Interest is payable semi-annually in arrears in January and July of each year, which commenced in January 2008.
- (3) Interest is payable semi-annually in arrears in June and December of each year, which commenced in December 2009.
- (4) Interest is payable quarterly in arrears in February, May, August and November of each year commencing in November 2016.
- (5) Interest is payable quarterly in arrears in January, April, July and October of each year commencing in April 2018.
- (6) Interest is payable quarterly in arrears in March, June, September and December of each year commencing in June 2017.

**TEPPCO's Debt Obligations**

TEPPCO Revolving Credit Facility. Upon consummation of the TEPPCO Merger, EPO repaid and terminated all of the outstanding indebtedness under the TEPPCO Revolving Credit Facility.

TEPPCO Senior Notes. As previously discussed, on October 27, 2009, \$1.66 billion of the TEPPCO Senior Notes were exchanged for an equal amount of new EPO Senior Notes. In addition to the debt exchange, substantially all of the restrictive covenants and reporting requirements associated with the remaining TEPPCO Senior Notes were eliminated through amendments that became effective on October 26, 2009.

TE Products Pipeline Company, LLC, TCTM, L.P., TEPPCO Midstream Companies, LLC and Val Verde Gas Gathering Company, L.P. (collectively, the "Subsidiary Guarantors") acted as guarantors of TEPPCO's outstanding senior notes through November 2009. The subsidiary guarantees were terminated in November 2009.



**TEPPCO Junior Subordinated Notes.** As discussed above, on October 27, 2009, \$285.8 million of the TEPPCO Junior Subordinated Notes were exchanged for an equal amount of new EPO Junior Subordinated Notes. In addition to the debt exchange, substantially all of the restrictive covenants and reporting requirements associated with the remaining TEPPCO Junior Subordinated Notes were eliminated through amendments that became effective on October 26, 2009.

The Subsidiary Guarantors also acted as guarantors, on a junior subordinated basis, of TEPPCO's outstanding junior subordinated notes through November 2009. These subsidiary guarantees were terminated in November 2009.

The terms and provisions of the TEPPCO's Junior Subordinated Notes are similar to each series of EPO's junior subordinated notes. For example, they: (i) are general unsecured subordinated obligations, (ii) allow interest payments to be deferred for multiple periods of up to ten consecutive years and (iii) are subordinated in right of payment to all existing and future senior indebtedness. The maturity date, the interest rate and the interest payment due dates are the identical to EPO's Junior Subordinated Notes C as discussed above.

In connection with the issuance of the TEPPCO Junior Subordinated Notes, TEPPCO and its Subsidiary Guarantors entered into a Replacement Capital Covenant in favor of the covered debt holders (as defined in the underlying documents) pursuant to which TEPPCO agreed for the benefit of such debt holders that it would not redeem or repurchase such junior notes unless such redemption or repurchase is made using proceeds from the issuance of certain securities. The Replacement Capital Covenant is not a term of the governing indenture or the junior subordinated notes.

#### **Duncan Energy Partners' Debt Obligations**

Enterprise Products Partners consolidates the debt of Duncan Energy Partners with that of its own; however, Enterprise Products Partners does not have the obligation to make interest payments or debt payments with respect to the debt of Duncan Energy Partners.

**DEP Revolving Credit Facility.** Duncan Energy Partners has in place a \$300 million unsecured revolving credit facility, all of which may be used for letters of credit, with a \$30.0 million sublimit for Swingline loans. This credit facility will be used by Duncan Energy Partners in the future to fund working capital and other capital requirements and for general partnership purposes. Duncan Energy Partners may make up to two requests for one-year extensions of the maturity date, which is February 2011 (subject to certain restrictions). The revolving credit facility is available to pay distributions to its partners, fund working capital, make acquisitions and provide payment for general purposes. Duncan Energy Partners can increase the revolving credit facility, without consent of the lenders, by an amount not to exceed \$150.0 million, by adding to the facility one or more new lenders and/or requesting that the commitments of existing lenders be increased.

This revolving credit facility offers the following unsecured loans, each having different interest requirements: (i) a Eurodollar rate, plus the applicable Eurodollar margin (as defined in the credit agreement), (ii) Base Rate loans bear interest at a rate per annum equal to the higher of (a) the rate of interest publicly announced by the administrative agent, Wachovia Bank, National Association, as its Base Rate and (b) 0.5% per annum above the Federal Funds Rate in effect on such date and (iii) Swingline loans bear interest at a rate per annum equal to LIBOR plus an applicable LIBOR margin.

The Duncan Energy Partners' credit facility contains certain financial and other customary affirmative and negative covenants. Also, if an event of default exists under the credit agreement, the lenders will be able to accelerate the maturity date of amounts borrowed under the credit agreement and exercise other rights and remedies.

**DEP Term Loan.** In April 2008, Duncan Energy Partners entered into a standby term loan agreement consisting of commitments for up to a \$300.0 million senior unsecured term loan. Subsequently, commitments under this agreement decreased to \$282.3 million due to bankruptcy of one of

the lenders. Duncan Energy Partners borrowed the full amount of \$282.3 million on December 8, 2008 in connection with the acquisition of equity interests in midstream energy businesses.

Duncan Energy Partners may prepay loans under the term loan agreement at any time, subject to prior notice in accordance with the credit agreement. Loans may also be payable earlier in connection with an event of default.

Loans under the term loan agreement bear interest of the type specified in the applicable borrowing request, and consist of either Alternate Base Rate loans or Eurodollar loans. The term loan agreement contains certain financial and other customary affirmative and negative covenants.

#### ***Dixie Revolving Credit Facility***

Dixie's debt obligation consisted of a senior, unsecured revolving credit facility having a borrowing capacity of \$28.0 million. This credit facility was terminated in January 2009.

#### ***Canadian Debt Obligation***

In May 2007, Canadian Enterprise Gas Products, Ltd., a wholly owned subsidiary of EPO, entered into a \$30.0 million Canadian revolving credit facility with The Bank of Nova Scotia. The credit facility, which includes the issuance of letters of credit, matures in October 2011. Letters of credit outstanding under this facility reduce the amount available for borrowings. The credit facility contains customary covenants and events of default. The obligations under the credit facility are guaranteed by EPO. As of December 31, 2009, there were no debt obligations outstanding under this credit facility.

#### ***Covenants***

We were in compliance with the financial covenants of our consolidated debt agreements at December 31, 2009.

#### ***Information Regarding Variable Interest Rates Paid***

The following table presents the range of interest rates and weighted-average interest rates paid on our consolidated variable-rate debt obligations during the year ended December 31, 2009:

	<b>Range of Interest Rates Paid</b>	<b>Weighted-Average Interest Rate Paid</b>
EPE Revolver	1.23% to 3.25%	1.63%
EPE Term Loan A	1.23% to 3.20%	1.63%
EPE Term Loan B	2.48% to 6.77%	3.00%
EPO Multi-Year Revolving Credit Facility	0.73% to 3.25%	0.95%
TEPPCO Revolving Credit Facility	0.75% to 3.25%	0.88%
DEP Revolving Credit Facility	0.81% to 2.74%	1.48%
DEP Term Loan	0.93% to 2.93%	1.15%
Petal GO Zone Bonds	0.21% to 2.75%	0.60%

**Consolidated Debt Maturity Table**

The following table presents contractually scheduled maturities of our consolidated debt obligations for the next five years, and in total thereafter.

	Scheduled Maturities of Debt				
	Total	2010 (1)	2011	2012	2013
Revolving Credit Facilities	\$ 494.0	\$ --	\$ 175.0	\$ 319.0	\$ --
Senior Notes	9,000.0	500.0	450.0	1,000.0	--
Term Loans	1,240.3	8.5	290.8	133.5	--
Junior Subordinated Notes	1,532.7	--	--	--	--
Other	111.5	54.0	--	--	--
<b>Total</b>	<b>\$ 12,378.5</b>	<b>\$ 562.5</b>	<b>\$ 915.8</b>	<b>\$ 1,452.5</b>	<b>\$ --</b>

(1) Long-term and current maturities of debt reflect the classification of such obligations on our Consolidated Balance Sheet at December 31, 2009 after taking into consideration EPO's ability to use available borrowing capacity under the EPE Revolver.

**Debt Obligations of Unconsolidated Affiliates**

We have three unconsolidated affiliates with long-term debt obligations. The following table shows (i) the ownership interest in each entity at December 31, 2009, (ii) total debt of each unconsolidated affiliate at December 31, 2009 (on a 100% basis to the unconsolidated affiliate) and (iii) the corresponding scheduled maturities of such debt.

	Ownership Interest	Scheduled Maturities of Debt			
		Total	2010	2011	2012
Poseidon	36%	\$ 92.0	\$ --	\$ 92.0	\$ --
Evangeline	49.5%	10.7	3.2	7.5	--
Centennial	50%	120.0	9.1	9.0	8.9
<b>Total</b>		<b>\$ 222.7</b>	<b>\$ 12.3</b>	<b>\$ 108.5</b>	<b>\$ 8.9</b>

The credit agreements of these unconsolidated affiliates include customary covenants, including financial covenants. These businesses were in compliance with such financial covenants at December 31, 2009. The credit agreements of these unconsolidated affiliates restrict their ability to pay cash dividends or distributions if a default or an event of default (as defined in each credit agreement) has occurred and is continuing at the time such dividend or distribution is scheduled to be paid.

The following information summarizes the significant terms of the debt obligations of these unconsolidated affiliates at December 31, 2009:

**Poseidon.** At December 31, 2009, Poseidon's debt obligations consisted of \$92.0 million outstanding under its \$150.0 million variable-rate revolving credit facility. Amounts borrowed under this facility mature in May 2011 and are secured by substantially all of Poseidon's assets. The weighted-average variable interest rates charged on this debt at December 31, 2009 and 2008 were 1.88% and 4.31%, respectively.

**Evangeline.** At December 31, 2009, Evangeline's debt obligations consisted of: (i) \$3.2 million in principal amount of 9.90% fixed-rate Series B senior secured notes due December 2010 and (ii) a \$7.5 million subordinated note payable due in 2011. The Series B senior secured notes are collateralized by Evangeline's property, plant and equipment; proceeds from a gas sales contract and by a debt service reserve requirement.

Evangeline incurred the subordinated note payable as a result of its acquisition of a contract-based intangible asset in the early 1990s. This note is subject to a subordination agreement which prevents the

repayment of principal and accrued interest on the subordinated note until such time as the Series B noteholders are either fully cash secured through debt service accounts or have been completely repaid.

Variable-rate interest accrues on the subordinated note at LIBOR plus 0.5%. The weighted-average variable interest rates charged on this note at December 31, 2009 and 2008 were 1.59% and 3.62%, respectively. Accrued interest payable related to the subordinated note was \$10.2 million and \$9.8 million at December 31, 2009 and 2008, respectively.

*Centennial.* At December 31, 2009, Centennial's debt obligations consisted of \$120.0 million borrowed under a master shelf loan agreement through two private placements, with interest rates ranging from 7.99% to 8.09%. Borrowings under the master shelf agreement mature in May 2024 and are collateralized by substantially all of Centennial's assets and severally guaranteed by Centennial's owners.

We and our joint venture partner in Centennial have each guaranteed one-half of Centennial's debt obligations. If Centennial were to default on its debt obligations, the estimated payment obligation would be \$60.0 million based on amounts outstanding at December 31, 2009. We recognized a liability of \$8.4 million for our share of the Centennial debt guaranty at December 31, 2009.

### **Note 13. Equity and Distributions**

Our Units represent limited partner interests, which give the holders thereof the right to participate in cash distributions and to exercise the other rights or privileges available to them under our First Amended and Restated Agreement of Limited Partnership (as amended from time to time, the "Partnership Agreement").

In accordance with the Partnership Agreement, capital accounts are maintained for our general partner and limited partners. The capital account provisions of the Partnership Agreement incorporate principles established for U.S. Federal income tax purposes and are not comparable to GAAP-based equity amounts presented in our consolidated financial statements. Earnings and cash distributions are allocated to holders of our Units in accordance with their respective percentage interests.

#### ***Registration Statement***

The Parent Company has a universal shelf registration statement on file with the SEC that allows it to issue an unlimited amount of debt and equity securities for general partnership purposes. As of December 31, 2009, the Parent Company had not issued any securities under its registration statement.

#### ***Class B and C Units***

In May 2007, we issued an aggregate of 14,173,304 Class B Units and 16,000,000 Class C Units to private company affiliates of EPCO in connection with their contribution of 4,400,000 common units representing limited partner interest of TEPPCO and 100% of the general partner interest of TEPPCO GP.

On July 12, 2007, all of the outstanding 14,173,304 Class B Units were converted into Units on a one-to-one basis. On February 1, 2009, all of the outstanding 16,000,000 Class C Units were converted to Units on a one-to-one basis. For financial accounting purposes, the Class C Units were not allocated any portion of net income until their conversion into Units. In addition, the Class C Units were non-participating in current or undistributed earnings prior to conversion. The Units into which the Class C Units were converted were eligible to receive cash distributions beginning with the distribution paid in May 2009.

Prior to February 1, 2009, the Class C Units (i) entitled the holder to the allocation of taxable income, gain, loss, deduction and credit to the same extent as such tax amounts were allocated to the holder if the Class C Units were converted and outstanding Units and (ii) were non-voting, except that, the Class C Units were entitled to vote as a separate class on any matter that adversely affected the rights or

preferences of the Class C Units in relation to other classes of partnership interests (including as a result of a merger or consolidation) or as required by law. The approval of a majority of the Class C Units was required to approve any matter for which the holders of the Class C Units were entitled to vote as a separate class.

#### Private Placement of Parent Company Units

On July 17, 2007, the Parent Company completed a private placement of 20,134,220 Units to third-party investors at \$37.25 per Unit. The net proceeds of this private placement, after giving effect to placement agent fees, were approximately \$739.0 million. The net proceeds were used to repay certain principal amounts outstanding under the EPE Interim Credit Facility and related accrued interest. Effective October 5, 2007, these Units were registered for resale.

#### Unit History

The following table summarizes changes in our outstanding Units since December 31, 2006:

	Units	Class B Units	Class C Units
<b>Balance, December 31, 2006</b>	88,884,116	14,173,304	16,000,000
Conversion of Class B Units to Units in July 2007	14,173,304	(14,173,304)	--
Units issued in connection private placement in July 2007	20,134,220	--	--
<b>Balance, December 31, 2007 and 2008</b>	123,191,640	--	16,000,000
Conversion of Class C Units to Units in February 2009	16,000,000	--	(16,000,000)
<b>Balance, December 31, 2009</b>	139,191,640	--	--

#### Summary of Changes in Limited Partners' Equity

The following table details the changes in limited partners' equity since December 31, 2006:

	Units	Class B Units	Class C Units	Total
<b>Balance, December 31, 2006</b>	\$ 681.0	\$ 357.1	\$ 380.7	\$ 1,418.8
Net income	75.6	33.4	--	109.0
Operating lease expenses paid by EPCO	0.1	--	--	0.1
Cash distributions paid to partners	(159.0)	--	--	(159.0)
Distributions to former owners	--	(29.8)	--	(29.8)
Conversion of Class B Units to Units	360.7	(360.7)	--	--
Net cash proceeds from issuance of Units	739.4	--	--	739.4
Amortization of equity awards	0.6	--	--	0.6
<b>Balance, December 31, 2007</b>	1,698.4	--	380.7	2,079.1
Net income	164.0	--	--	164.0
Operating lease expenses paid by EPCO	0.1	--	--	0.1
Cash distributions paid to partners	(213.1)	--	--	(213.1)
Amortization of equity awards	1.1	--	--	1.1
<b>Balance, December 31, 2008</b>	1,650.5	--	380.7	2,031.2
Net income	204.1	--	--	204.1
Cash distributions paid to partners	(266.7)	--	--	(266.7)
Conversion of Class C Units to Units	380.7	--	(380.7)	--
Amortization of equity awards	3.8	--	--	3.8
<b>Balance, December 31, 2009</b>	\$ 1,972.4	\$ --	\$ --	\$ 1,972.4

#### Distributions to Partners

The Parent Company's cash distribution policy is consistent with the terms of its Partnership Agreement, which requires it to distribute its available cash (as defined in our Partnership Agreement) to its partners no later than 50 days after the end of each fiscal quarter. The quarterly cash distributions are not cumulative.

The following table presents the Parent Company's declared quarterly cash distribution rates per Unit since the first quarter of 2008 and the related record and distribution payment dates. The quarterly cash distribution rates per Unit correspond to the fiscal quarters indicated. Actual cash distributions are paid within 50 days after the end of such fiscal quarter.

	Cash Distribution History		
	Distribution per Unit	Record Date	Payment Date
<b>2008</b>			
1st Quarter	\$ 0.425	Apr. 30, 2008	May 8, 2008
2nd Quarter	\$ 0.440	Jul. 31, 2008	Aug. 8, 2008
3rd Quarter	\$ 0.455	Oct. 31, 2008	Nov. 13, 2008
4th Quarter	\$ 0.470	Jan. 30, 2009	Feb. 10, 2009
<b>2009</b>			
1st Quarter	\$ 0.485	Apr. 30, 2009	May 11, 2009
2nd Quarter	\$ 0.500	Jul. 31, 2009	Aug. 10, 2009
3rd Quarter	\$ 0.515	Oct. 30, 2009	Nov. 6, 2009
4th Quarter	\$ 0.530	Jan. 29, 2010	Feb. 5, 2010

#### Accumulated Other Comprehensive Loss

AOCI primarily includes the effective portion of the gain or loss on derivative instruments designated and qualified as a cash flow hedge, foreign currency adjustments and minimum pension liability adjustments. Amounts accumulated in OCI from cash flow hedges are reclassified into earnings in the same period(s) in which the hedged forecasted transactions (such as a forecasted forward sale of NGLs) affect earnings. If it becomes probable that the forecasted transaction will not occur, the net gain or loss in AOCI must be immediately reclassified.

The following table presents the components of AOCI at the dates indicated:

	At December 31,	
	2009	2008
Commodity derivative instruments (1)	\$ 0.5	\$ (114.1 )
Interest rate derivative instruments (1)	(27.6 )	(66.5 )
Foreign currency derivative instruments (1)	0.4	10.6
Foreign currency translation adjustment (2)	0.8	(1.3 )
Pension and postretirement benefit plans	(0.8 )	(0.8 )
Proportionate share of other comprehensive loss of		
unconsolidated affiliates, primarily Energy Transfer Equity	(11.2 )	(13.7 )
Subtotal	(37.9 )	(185.8 )
Amount attributable to noncontrolling interest	4.6	132.6
Total AOCI in partners' equity	\$ (33.3 )	\$ (53.2 )

(1) See Note 6 for additional information regarding these components of AOCI.

(2) Relates to transactions of Enterprise Products Partners' Canadian NGL marketing subsidiary.

#### Noncontrolling Interest

Prior to the completion of the TEPPCO Merger, effective October 26, 2009, we accounted for the former owners' interest in TEPPCO and TEPPCO GP as noncontrolling interest. Under this method of presentation, all pre-merger revenues and expenses of TEPPCO and TEPPCO GP are included in net income, and the former owners' share of the income of TEPPCO and TEPPCO GP is allocated to net income attributable to noncontrolling interest. In addition, the former owners' share of the net assets of TEPPCO and TEPPCO GP are presented as noncontrolling interest, a component of equity, on our Consolidated Balance Sheets.

The following table presents the components of noncontrolling interest as presented on our Consolidated Balance Sheets at the dates indicated:

	At December 31,	
	2009	2008
Limited partners of Enterprise Products Partners:		
Third-party owners of Enterprise Products Partners (1)	\$ 7,001.6	\$ 5,010.6
Related party owners of Enterprise Products Partners (2)	1,003.6	347.7
Limited partners of Duncan Energy Partners:		
Third-party owners of Duncan Energy Partners (1)	414.3	281.1
Related party owners of Duncan Energy Partners (2)	1.7	--
Former owners of TEPPCO (3)	--	2,126.5
Joint venture partners (4)	117.4	148.1
AOCI attributable to noncontrolling interest	(4.6 )	(132.6 )
Total noncontrolling interest on consolidated balance sheets	\$ 8,534.0	\$ 7,781.4

- (1) Consists of non-affiliate public unitholders of Enterprise Products Partners and Duncan Energy Partners. The increase in noncontrolling interest between periods for these entities is primarily due to equity offerings.
- (2) Consists of unitholders of Enterprise Products Partners and Duncan Energy Partners that are related party affiliates of the Parent Company. This group is primarily comprised of EPCO and certain of its private company consolidated subsidiaries.
- (3) Represents former ownership interests in TEPPCO and TEPPCO GP (see Note 1 "Basis of Presentation"). This amount excludes AOCI attributable to former owners of TEPPCO.
- (4) Represents third-party ownership interests in joint ventures that we consolidate, including Seminole, Tri-States Pipeline L.L.C., Independence Hub LLC and Wilprise Pipeline Company LLC. The balance at December 31, 2008 included \$35.6 million related to Oiltanking's ownership interest in TOPS, from which our subsidiaries dissociated in April 2009 (see Note 8).

The following table presents the components of net income attributable to noncontrolling interest as presented on our Statements of Consolidated Operations for the periods indicated:

	For Year Ended December 31,		
	2009	2008	2007
Limited partners of Enterprise Products Partners (1)	\$ 825.5	\$ 786.5	\$ 404.8
Limited partners of Duncan Energy Partners (1)	31.3	17.3	13.8
Former owners of TEPPCO (2)	53.0	153.3	217.6
Joint venture partners	26.4	24.0	16.8
Total	\$ 936.2	\$ 981.1	\$ 653.0

- (1) Represents the allocation of Enterprise Products Partners' and Duncan Energy Partners' earnings to their respective unitholders, other than the Parent Company.
- (2) Represents the allocation of earnings to the former owners of TEPPCO.

The following table presents cash distributions paid to and cash contributions received from noncontrolling interests as presented on our Statements of Consolidated Cash Flows for the periods indicated:

	For Year Ended December 31,		
	2009	2008	2007
Cash distributions paid to noncontrolling interests:			
Limited partners of Enterprise Products Partners	\$ 1,038.1	\$ 865.7	\$ 807.5
Limited partners of Duncan Energy Partners	33.7	24.8	15.8
Limited partners of TEPPCO	218.4	260.5	234.0
Joint venture partners	31.9	31.1	16.6
Total cash distributions paid to noncontrolling interests	\$ 1,322.1	\$ 1,182.1	\$ 1,073.9
Cash contributions from noncontrolling interests:			
Limited partners of Enterprise Products Partners	\$ 875.4	\$ 135.0	\$ 68.0
Limited partners of Duncan Energy Partners	137.4	--	290.5
Limited partners of TEPPCO	3.5	275.8	1.7
Joint venture partners	(2.1 )	35.6	12.5
Total cash contributions received from noncontrolling interests	\$ 1,014.2	\$ 446.4	\$ 372.7

Distributions paid to the limited partners of Enterprise Products Partners, Duncan Energy Partners and former owners of TEPPCO primarily represent the quarterly cash distributions paid by these entities to their unitholders, excluding those paid to the Parent Company.

Contributions received from limited partners of Enterprise Products Partners, Duncan Energy Partners and TEPPCO primarily represent net cash proceeds each entity received from common unit offerings and distribution reinvestment plans, excluding those received from the Parent Company. During 2009, Enterprise Products Partners issued an aggregate of 36,950,014 of its common units, which generated net cash proceeds of approximately \$911.0 million. Additionally, during 2009 Duncan Energy Partners issued an aggregate 8,943,400 of its common units, which generated net cash proceeds of approximately \$137.4 million. During 2007, Duncan Energy Partners received approximately \$291.0 million of net cash proceeds in connection with its initial public offering. During 2008, TEPPCO sold 9,200,000 of its units in an underwritten equity offering, which generated net cash proceeds of \$257.0 million.

#### **Note 14. Business Segments**

We have six reportable business segments: NGL Pipelines & Services, Onshore Natural Gas Pipelines & Services, Onshore Crude Oil Pipelines & Services, Offshore Pipelines & Services, Petrochemical & Refined Products Services and Other Investments. Our business segments are generally organized and managed according to the type of services rendered (or technologies employed) and products produced and/or sold.

We evaluate segment performance based on the non-GAAP financial measure of gross operating margin. Gross operating margin (either in total or by individual segment) is an important performance measure of the core profitability of our operations. This measure forms the basis of our internal financial reporting and is used by our management in deciding how to allocate capital resources among business segments. We believe that investors benefit from having access to the same financial measures that our management uses in evaluating segment results. The GAAP financial measure most directly comparable to total segment gross operating margin is operating income. Our non-GAAP financial measure of total segment gross operating margin should not be considered an alternative to GAAP operating income.

We define total segment gross operating margin as operating income before: (i) depreciation, amortization and accretion expense; (ii) non-cash consolidated asset impairment charges; (iii) operating lease expenses for which we do not have the payment obligation; (iv) gains and losses from asset sales and related transactions; and (v) general and administrative costs. Gross operating margin by segment is calculated by subtracting segment operating costs and expenses (net of the adjustments noted above) from segment revenues, with both segment totals before the elimination of intercompany transactions. In accordance with GAAP, intercompany accounts and transactions are eliminated in consolidation. Gross operating margin is exclusive of other income and expense transactions, provision for income taxes, the cumulative effect of changes in accounting principles and extraordinary charges. Gross operating margin is presented on a 100% basis before the allocation of earnings to noncontrolling interests.

Segment revenues include intersegment and intrasegment transactions, which are generally based on transactions made at market-based rates. Our consolidated revenues reflect the elimination of intercompany (both intersegment and intrasegment) transactions.

We include equity in income of unconsolidated affiliates in our measurement of segment gross operating margin and operating income. Our equity investments with industry partners are a vital component of our business strategy. They are a means by which we conduct our operations to align our interests with those of our customers and/or suppliers. This method of operation enables us to achieve favorable economies of scale relative to the level of investment and business risk assumed versus what we could accomplish on a standalone basis. Many of these businesses perform supporting or complementary roles to our other business operations.



Our integrated midstream energy asset system (including the midstream energy assets of our equity method investees) provides services to producers and consumers of natural gas, NGLs, crude oil, refined products and certain petrochemicals. In general, hydrocarbons enter our asset system in a number of ways, such as an offshore natural gas or crude oil pipeline, an offshore platform, a natural gas processing plant, an onshore natural gas gathering pipeline, an NGL fractionator, an NGL storage facility or an NGL transportation or distribution pipeline.

Many of our equity investees are included within our integrated midstream asset system. For example, we have ownership interests in several offshore natural gas, refined products and crude oil pipelines. Other examples include our use of the Promix NGL fractionator to process mixed NGLs extracted by our gas plants. The fractionated NGLs we receive from Promix can then be sold in our NGL marketing activities. Additionally, our use of the Centennial pipeline, which loops the refined products pipeline system between Beaumont, Texas and southern Illinois, permits effective supply of product to points south of Illinois as well as incremental product supply capacity to mid-continent markets downstream of southern Illinois. Given the integral nature of our equity method investees to our operations, we believe the presentation of earnings from such investees as a component of gross operating margin and operating income is meaningful and appropriate.

Substantially all of our consolidated revenues are earned in the United States and derived from a wide customer base. The majority of our plant-based operations are located in Texas, Louisiana, Mississippi, New Mexico, Colorado and Wyoming. Our natural gas, NGL, refined products and crude oil pipelines are located in a number of regions of the United States including (i) the Gulf of Mexico offshore Texas, Louisiana, and onshore in Colorado; (ii) the south and southeastern United States (primarily in Texas, Louisiana, Mississippi and Alabama); (iii) the Midwestern and northeastern United States; and (iv) certain regions of the central and western United States, including the Rocky Mountains. Our marketing activities are headquartered in Houston, Texas and Oklahoma City, Oklahoma and serve customers in a number of regions of the United States including the Gulf Coast, West Coast and Mid-Continent areas.

Segment assets consist of property, plant and equipment, investments in unconsolidated affiliates, intangible assets and goodwill. The carrying values of such amounts are assigned to each segment based on each asset's or investment's principal operations and contribution to the gross operating margin of that particular segment. Since construction-in-progress amounts (which are a component of property, plant and equipment) generally do not contribute to segment gross operating margin, such amounts are excluded from segment asset totals until they are placed in service. Consolidated intangible assets and goodwill are assigned to each segment based on the classification of the assets to which they relate.

We consolidate the financial statements of Enterprise Products Partners with those of our own. As a result, our consolidated gross operating margin amounts include 100% of the gross operating margin amounts of Enterprise Products Partners.

The following table shows our measurement of total segment gross operating margin for the periods indicated:

	For Year Ended December 31,		
	2009	2008	2007
Revenues	\$ 25,510.9	\$ 35,469.6	\$ 26,713.8
Less: Operating costs and expenses	(23,565.8 )	(33,618.9 )	(25,402.1 )
Add: Equity in income of unconsolidated affiliates	92.3	66.2	13.6
Depreciation, amortization and accretion in operating costs and expenses (1)	809.3	725.4	647.9
Impairment charges in operating costs and expenses	33.5	--	--
Operating lease expenses paid by EPCO	0.7	2.0	2.1
Gain from asset sales and related transactions in operating costs and expenses (2)	--	(4.0 )	(7.8 )
Total segment gross operating margin	<u>\$ 2,880.9</u>	<u>\$ 2,640.3</u>	<u>\$ 1,967.5</u>

(1) Amount is a component of "Depreciation, amortization and accretion" as presented on the Statements of Consolidated Cash Flows.

(2) Amount is a component of "Gain from asset sales and related transactions" as presented on the Statements of Consolidated Cash Flows.

The following table shows a reconciliation of our total segment gross operating margin to operating income and income before provision for income taxes for the periods indicated:

	For Year Ended December 31,		
	2009	2008	2007
Total segment gross operating margin	\$ 2,880.9	\$ 2,640.3	\$ 1,967.5
Adjustments to reconcile total segment gross operating margin to operating income:			
Depreciation, amortization and accretion in operating costs and expenses	(809.3 )	(725.4 )	(647.9 )
Impairment charges in operating costs and expenses	(33.5 )	--	--
Operating lease expenses paid by EPCO	(0.7 )	(2.0 )	(2.1 )
Gain from asset sales and related transactions in operating costs and expenses	--	4.0	7.8
General and administrative costs	(182.8 )	(144.8 )	(131.9 )
Operating income	<u>1,854.6</u>	<u>1,772.1</u>	<u>1,193.4</u>
Other expense, net	(689.0 )	(596.0 )	(415.6 )
Income before provision for income taxes	<u>\$ 1,165.6</u>	<u>\$ 1,176.1</u>	<u>\$ 777.8</u>

Information by segment, together with reconciliations to our consolidated totals, is presented in the following table:

	Reportable Segments				Pe t
	NGL Pipelines & Services	Onshore Natural Gas Pipelines & Services	Onshore Crude Oil Pipelines & Services	Offshore Pipelines & Services	
<b>Revenues from third parties:</b>					
Year ended December 31, 2009	\$ 11,928.3	\$ 2,938.7	\$ 7,191.2	\$ 332.9	
Year ended December 31, 2008	14,715.8	3,407.2	12,763.8	260.3	
Year ended December 31, 2007	12,149.2	2,044.0	9,103.7	222.6	
<b>Revenues from related parties:</b>					
Year ended December 31, 2009	380.7	211.2	(0.2 )	7.0	
Year ended December 31, 2008	598.0	409.2	--	8.1	
Year ended December 31, 2007	301.5	281.9	0.1	1.2	
<b>Intersegment and intrasegment revenues:</b>					
Year ended December 31, 2009	6,865.5	515.3	47.6	1.3	
Year ended December 31, 2008	8,091.7	881.6	75.1	1.4	
Year ended December 31, 2007	5,436.3	205.5	48.6	2.0	
<b>Total revenues:</b>					
Year ended December 31, 2009	19,174.5	3,665.2	7,238.6	341.2	
Year ended December 31, 2008	23,405.5	4,698.0	12,838.9	269.8	
Year ended December 31, 2007	17,887.0	2,531.4	9,152.4	225.8	
<b>Equity in income of unconsolidated affiliates:</b>					
Year ended December 31, 2009	11.3	4.9	9.3	36.9	
Year ended December 31, 2008	1.4	1.6	11.7	33.7	
Year ended December 31, 2007	7.1	0.2	2.6	12.6	
<b>Gross operating margin:</b>					
Year ended December 31, 2009	1,628.7	501.5	164.4	180.5	
Year ended December 31, 2008	1,325.0	589.9	132.2	187.0	
Year ended December 31, 2007	848.0	493.2	109.6	171.6	
<b>Segment assets:</b>					
At December 31, 2009	7,191.2	6,918.7	865.3	2,121.4	
At December 31, 2008	6,459.3	6,118.8	883.0	2,061.8	
At December 31, 2007	5,488.5	5,502.3	858.8	2,152.3	
<b>Property, plant and equipment, net (see Note 8):</b>					
At December 31, 2009	6,392.8	6,074.6	377.3	1,480.9	
At December 31, 2008	5,622.4	5,223.6	386.9	1,394.5	
At December 31, 2007	4,770.4	4,577.4	363.7	1,452.6	
<b>Investments in unconsolidated affiliates (see Note 9):</b>					
At December 31, 2009	141.6	32.0	178.5	456.9	
At December 31, 2008	144.3	25.9	186.2	469.0	
At December 31, 2007	117.0	3.5	184.8	484.6	

2007  
**Intangible  
assets, net (see  
Note 11):**  
At  
December 31,  
2009  
At  
December 31,  
2008  
At  
December 31,  
2007  
**Goodwill (see  
Note 11):**  
At  
December 31,  
2009  
At  
December 31,  
2008  
At  
December 31,  
2007

315.6	527.2	6.5	101.5
351.4	584.4	6.9	116.2
375.1	636.5	7.3	133.0
341.2	284.9	303.0	82.1
341.2	284.9	303.0	82.1
226.0	284.9	303.0	82.1

Our consolidated revenues are derived from a wide customer base. During 2009, our largest non-affiliated customer based on revenues was Shell Oil Company and its affiliates, which accounted for 9.8% of our revenues. During 2008 and 2007, our largest non-affiliated customer based on revenues was Valero Energy Corporation and its affiliates, which accounted for 11.2% and 8.9%, respectively, of our revenues.

The following table provides additional information regarding our consolidated revenues (net of adjustments and eliminations) and expenses for the periods indicated:

	For Year Ended December 31,		
	2009	2008	2007
<b>NGL Pipelines &amp; Services:</b>			
Sales of NGLs	\$ 11,598.9	\$ 14,573.5	\$ 11,701.3
Sales of other petroleum and related products	1.8	2.4	3.0
Midstream services	708.3	737.9	746.4
Total	12,309.0	15,313.8	12,450.7
<b>Onshore Natural Gas Pipelines &amp; Services:</b>			
Sales of natural gas	2,410.5	3,083.1	1,676.7
Midstream services	739.4	733.3	649.2
Total	3,149.9	3,816.4	2,325.9
<b>Onshore Crude Oil Pipelines &amp; Services:</b>			
Sales of crude oil	7,110.6	12,696.2	9,048.5
Midstream services	80.4	67.6	55.3
Total	7,191.0	12,763.8	9,103.8
<b>Offshore Pipelines &amp; Services:</b>			
Sales of natural gas	1.2	2.8	3.2
Sales of crude oil	5.3	11.1	12.1
Midstream services	333.4	254.5	208.5
Total	339.9	268.4	223.8
<b>Petrochemical &amp; Refined Products Services:</b>			
Sales of other petroleum and related products	1,991.8	2,757.6	2,207.2
Midstream services	529.3	549.6	402.4
Total	2,521.1	3,307.2	2,609.6
<b>Total consolidated revenues</b>	<b>\$ 25,510.9</b>	<b>\$ 35,469.6</b>	<b>\$ 26,713.8</b>
<b>Consolidated costs and expenses</b>			
Operating costs and expenses:			
Cost of sales for our marketing activities	\$ 18,656.7	\$ 28,250.2	\$ 21,142.5
Depreciation, amortization and accretion	809.3	725.4	647.9
Gain on sale of assets and related transactions	--	(4.0)	(7.8)
Non-cash impairment charges	33.5	--	--
Other operating costs and expenses	4,066.3	4,647.3	3,619.5
General and administrative costs	182.8	144.8	131.9
<b>Total consolidated costs and expenses</b>	<b>\$ 23,748.6</b>	<b>\$ 33,763.7</b>	<b>\$ 25,534.0</b>

**Note 15. Related Party Transactions**

The following table summarizes our related party transactions for the periods indicated:

	<b>For Year Ended December 31,</b>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Revenues – related parties:</b>			
EPCO and affiliates	\$ --	\$ --	\$ 0.2
Energy Transfer Equity and subsidiaries	423.1	618.5	294.5
Unconsolidated affiliates	175.9	396.9	290.5
Total revenue – related parties	<u>\$ 599.0</u>	<u>\$ 1,015.4</u>	<u>\$ 585.2</u>
<b>Costs and expenses – related parties:</b>			
EPCO and affiliates	\$ 592.5	\$ 555.4	\$ 470.7
Energy Transfer Equity and subsidiaries	443.8	192.2	35.2
Cenac and affiliates	40.9	48.3	--
Unconsolidated affiliates	38.2	56.1	41.0
Total costs and expenses – related parties	<u>\$ 1,115.4</u>	<u>\$ 852.0</u>	<u>\$ 546.9</u>
<b>Other expense – related parties:</b>			
EPCO and affiliates	<u>\$ 4.1</u>	<u>\$ 0.3</u>	<u>\$ 0.2</u>

The following table summarizes our related party receivable and payable amounts at the dates indicated:

	<b>December 31,</b>	
	<u>2009</u>	<u>2008</u>
<b>Accounts receivable - related parties:</b>		
EPCO and affiliates	\$ --	\$ 0.2
Energy Transfer Equity and subsidiaries	28.2	35.0
Other	10.2	--
Total accounts receivable – related parties	<u>\$ 38.4</u>	<u>\$ 35.2</u>
<b>Accounts payable - related parties:</b>		
EPCO and affiliates	\$ 27.8	\$ 14.1
Energy Transfer Equity and subsidiaries	33.4	0.1
Other	9.6	3.4
Total accounts payable – related parties	<u>\$ 70.8</u>	<u>\$ 17.6</u>

We believe that the terms and provisions of our related party agreements are fair to us; however, such agreements and transactions may not be as favorable to us as we could have obtained from unaffiliated third parties.

**Relationship with EPCO and Affiliates**

We have an extensive and ongoing relationship with EPCO and its affiliates, which include the following significant entities that are not a part of our consolidated group of companies:

- § EPCO and its privately held affiliates;
- § EPE Holdings, our sole general partner; and
- § the Employee Partnerships (see Note 5).

EPCO is a privately held company controlled by Dan L. Duncan, who is also a Director and Chairman of EPE Holdings and EPGP. At December 31, 2009, EPCO and its affiliates beneficially owned interests in the following entities:

	Number of Units	Percentage of Outstanding Units
Enterprise Products Partners (1) (2)	191,363,613	31.3%
Parent Company (3)	108,503,133	78.0%

- (1) Includes 4,520,431 Class B units and 21,167,783 common units owned by the Parent Company.  
 (2) The Parent Company owns 100% of Enterprise Products Partners' general partner, EPGP.  
 (3) An affiliate of EPCO owns 100% of our general partner.

The principal business activity of EPE Holdings and EPGP is to act as the sole managing partner of the Parent Company and Enterprise Products Partners, respectively. The executive officers and certain of the directors of EPGP and EPE Holdings are employees of EPCO.

The Parent Company, EPE Holdings, Enterprise Products Partners and EPGP are separate legal entities apart from each other and apart from EPCO and their respective other affiliates, with assets and liabilities that are separate from those of EPCO and their respective other affiliates. EPCO and its privately held subsidiaries depend on the cash distributions they receive from the Parent Company, Enterprise Products Partners and other investments to fund their other operations and to meet their debt obligations. The following table presents cash distributions received by EPCO and its privately held affiliates from the Parent Company and Enterprise Products Partners for the periods indicated:

	For Year Ended December 31,					
	2009		2008		2007	
Enterprise Products Partners	\$	314.5	\$	281.1	\$	263.4
Parent Company		205.2		158.7		125.5
Total distributions	\$	519.7	\$	439.8	\$	388.9

Substantially all of the ownership interests in Enterprise Products Partners that are owned or controlled by the Parent Company are pledged as security under its credit facility. In addition, substantially all of the ownership interests in the Parent Company and Enterprise Products Partners that are owned or controlled by EPCO and its affiliates, other than those interests owned by the Parent Company, Dan Duncan LLC and certain trusts affiliated with Dan L. Duncan, are pledged as security under the credit facility of a privately held affiliate of EPCO. This credit facility contains customary and other events of default relating to EPCO and certain affiliates, including the Parent Company and Enterprise Products Partners.

We have entered into an agreement with an affiliate of EPCO to provide trucking services to us for the transportation of NGLs and other products. We also lease office space in various buildings from affiliates of EPCO. The rental rates in these lease agreements approximate market rates.

**EPCO ASA**

We have no employees. All of our operating functions and general and administrative support services are provided by employees of EPCO pursuant to the ASA or by other service providers. The Parent Company, Enterprise Products Partners, Duncan Energy Partners and their respective general partners are parties to the ASA. The significant terms of the ASA are as follows:

- § EPCO will provide selling, general and administrative services, and management and operating services, as may be necessary to manage and operate our businesses, properties and assets (all in accordance with prudent industry practices). EPCO will employ or otherwise retain the services of such personnel as may be necessary to provide such services.
- § We are required to reimburse EPCO for its services in an amount equal to the sum of all costs and expenses incurred by EPCO which are directly or indirectly related to our business or activities (including expenses reasonably allocated to us by EPCO). In addition, we have agreed to pay all

sales, use, excise, value added or similar taxes, if any, that may be applicable from time to time in respect of the services provided to us by EPCO.

§ EPCO will allow us to participate as a named insured in its overall insurance program, with the associated premiums and other costs being allocated to us.

Under the ASA, EPCO subleases to Enterprise Products Partners (for \$1 per year) certain equipment which it holds pursuant to operating leases and has assigned to Enterprise Products Partners its purchase option under such leases (the "retained leases"). EPCO remains liable for the actual cash lease payments associated with these agreements. Enterprise Products Partners records the full value of these payments made by EPCO on its behalf as a non-cash related party operating lease expense, with the offset to equity accounted for as a general contribution to its partnership.

Our operating costs and expenses include amounts paid to EPCO for the costs it incurs to operate our facilities, including compensation of employees. We reimburse EPCO for actual direct and indirect expenses it incurs related to the operation of our assets. Likewise, our general and administrative costs include amounts paid to EPCO for administrative services, including compensation of employees. In general, our reimbursement to EPCO for administrative services is either (i) on an actual basis for direct expenses it may incur on our behalf (e.g., the purchase of office supplies) or (ii) based on an allocation of such charges between the various parties to the ASA based on the estimated use of such services by each party (e.g., the allocation of general legal or accounting salaries based on estimates of time spent on each entity's business and affairs). The following table presents a breakout of costs and expenses related to the ASA and other EPCO transactions for the periods indicated:

	For Year Ended December 31,					
	2009		2008		2007	
Operating costs and expenses	\$	495.3	\$	463.2	\$	387.7
General and administrative expenses		97.2		92.2		83.0
Total costs and expenses	\$	592.5	\$	555.4	\$	470.7

Since the vast majority of such expenses are charged to us on an actual basis (i.e. no mark-up or subsidy is charged or received by EPCO), we believe that such expenses are representative of what the amounts would have been on a standalone basis. With respect to allocated costs, we believe that the proportional direct allocation method employed by EPCO is reasonable and reflective of the estimated level of costs we would have incurred on a standalone basis.

The ASA also addresses potential conflicts that may arise among the Parent Company (including EPE Holdings), Enterprise Products Partners (including EPGP), Duncan Energy Partners (including DEP GP), and the EPCO Group with respect to business opportunities (as defined within the ASA) with third parties. The EPCO Group includes EPCO and its other affiliates, but excludes the Parent Company, Enterprise Products Partners, Duncan Energy Partners and their respective general partners.

The ASA was amended on January 30, 2009 to provide for the cash reimbursement by the Parent Company and Enterprise Products Partners to EPCO of distributions of cash or securities, if any, made by EPCO Unit to its Class B limited partners. The ASA amendment also extended the term under which EPCO provides services to the partnership entities from December 2010 to December 2013 and made other updating and conforming changes.

#### Relationships with Unconsolidated Affiliates

Many of our unconsolidated affiliates perform supporting or complementary roles to our other business operations. Since we and our affiliates hold ownership interests in these entities and directly or indirectly benefit from our related party transactions with such entities, they are presented here.



The following information summarizes significant related party transactions with our current unconsolidated affiliates:

- § We sell natural gas to Evangeline, which, in turn, uses the natural gas to satisfy supply commitments it has with a major Louisiana utility. Revenues from Evangeline were \$155.5 million, \$362.9 million and \$268.0 million for the years ended December 31, 2009, 2008 and 2007, respectively.
- § We pay Promix for the transportation, storage and fractionation of NGLs. In addition, we sell natural gas to Promix for its plant fuel requirements. Revenues from Promix were \$11.0 million, \$24.5 million and \$17.3 million for the years ended December 31, 2009, 2008 and 2007, respectively. Expenses with Promix were \$26.0 million, \$38.7 million and \$30.4 million for the years ended December 31, 2009, 2008 and 2007, respectively.
- § For the years ended December 31, 2008 and 2007, we paid \$1.7 million and \$3.8 million, respectively, to Centennial in connection with a pipeline capacity lease. In addition, we paid \$6.7 million, \$6.6 million and \$5.3 million to Centennial for the years ended December 31, 2009, 2008 and 2007 for other pipeline transportation services, respectively.
- § For the years ended December 31, 2009, 2008 and 2007, we paid Seaway \$3.4 million, \$6.0 million and \$4.7 million, respectively, for transportation and tank rentals in connection with our crude oil marketing activities.
- § We perform management services for certain of our unconsolidated affiliates. We charged such affiliates \$10.7 million, \$11.2 million and \$11.0 million for the years ended December 31, 2009, 2008 and 2007, respectively.
- § Enterprise Products Partners has a long-term sales contract with a subsidiary of ETP. In addition, Enterprise Products Partners and another subsidiary of ETP transport natural gas on each other's systems and share operating expenses on certain pipelines. A subsidiary of ETP also sells natural gas to Enterprise Products Partners. See previous table for related party revenue and expense amounts recorded by Enterprise Products Partners in connection with Energy Transfer Equity.

#### **Relationship with Duncan Energy Partners**

Duncan Energy Partners was formed in September 2006 and did not acquire any assets prior to February 5, 2007, which was the date it completed its initial public offering and acquired controlling interests in five midstream energy businesses from EPO in a drop down transaction. On December 8, 2008, through a second drop down transaction, Duncan Energy Partners acquired controlling interests in three additional midstream energy businesses from EPO. The business purpose of Duncan Energy Partners is to acquire, own and operate a diversified portfolio of midstream energy assets and to support the growth objectives of EPO and other affiliates under common control. Duncan Energy Partners is engaged in (i) the gathering, transportation and storage of natural gas; (ii) NGL transportation and fractionation; (iii) the storage of NGL and petrochemical products; (iv) the transportation of petrochemical products and (v) the marketing of NGLs and natural gas.

At December 31, 2009, Duncan Energy Partners is owned 99.3% by its limited partners and 0.7% by its general partner, DEP GP, which is a wholly owned subsidiary of EPO. DEP GP is responsible for managing the business and operations of Duncan Energy Partners. DEP Operating Partnership L.P., a wholly owned subsidiary of Duncan Energy Partners, conducts substantially all of Duncan Energy Partners' business. At December 31, 2009, EPO owned 58.6% of Duncan Energy Partners' limited partner interests and 100% of its general partner. Due to Enterprise Products Partners' control of Duncan Energy Partners, its financial statements are consolidated with those of Enterprise Products Partners and Enterprise Products Partners' transactions with Duncan Energy Partners are eliminated in consolidation.

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**Relationship with Cenac**

In connection with our marine services acquisition in February 2008, Cenac and affiliates became a related party of ours. We entered into a transitional operating agreement with Cenac in which our fleet of tow boats and tank barges (which were primarily acquired from Cenac) continued to be operated by employees of Cenac for a period of up to two years following the acquisition. Under this agreement, we paid Cenac a monthly operating fee and reimbursed Cenac for personnel salaries and related employee benefit expenses, certain repairs and maintenance expenses and insurance premiums on the equipment. Effective August 1, 2009, the transitional operating agreement was terminated. Personnel providing services pursuant to the agreement became employees of EPCO and will continue to provide services under the ASA. Concurrently with the termination of the transitional operating agreement, we entered into a two-year consulting agreement with Mr. Cenac and Cenac Marine Services, L.L.C. under which Mr. Cenac has agreed to supervise the day-to-day operations of our marine services business and, at our request, provide related management and transitional services.

**Note 16. Provision for Income Taxes**

Our provision for income taxes relates primarily to federal and state income taxes of Seminole and Dixie, our two largest corporations subject to such income taxes. In addition, with the amendment of the Texas Margin Tax, we have become a taxable entity in the state of Texas. Our federal and state income tax provision is summarized below:

	<b>For Year Ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Current:</b>			
Federal	\$ 7.9	\$ 4.9	\$ 4.7
State	11.9	23.9	5.1
Foreign	1.0	0.4	0.1
Total current	<u>20.8</u>	<u>29.2</u>	<u>9.9</u>
<b>Deferred:</b>			
Federal	4.8	0.8	2.8
State	(0.3)	1.0	3.1
Total deferred	<u>4.5</u>	<u>1.8</u>	<u>5.9</u>
Total provision for income taxes	<u>\$ 25.3</u>	<u>\$ 31.0</u>	<u>\$ 15.8</u>

A reconciliation of the provision for income taxes with amounts determined by applying the statutory U.S. federal income tax rate to income before income taxes is as follows:

	<b>For Year Ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
Pre Tax Net Book Income ("NBI")	\$ 1,165.6	\$ 1,176.1	\$ 777.8
Texas Margin Tax	\$ 10.1	\$ 23.9	\$ 7.7
State income taxes (net of federal benefit)	1.3	0.5	0.3
Federal income taxes computed by applying the federal statutory rate to NBI of corporate entities	8.3	6.3	5.3
Valuation allowance	(1.7)	(1.4)	2.4
Expiration of tax net operating loss	1.7	--	--
Other permanent differences	5.6	1.7	0.1
Provision for income taxes	<u>\$ 25.3</u>	<u>\$ 31.0</u>	<u>\$ 15.8</u>
Effective income tax rate	<u>2.2%</u>	<u>2.6%</u>	<u>2.0%</u>

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Significant components of deferred tax assets and deferred tax liabilities as of December 31, 2009 and 2008 are as follows:

	At December 31,	
	2009	2008
Deferred tax assets:		
Net operating loss carryovers (1)	\$ 24.6	\$ 26.3
Property, plant and equipment	--	0.8
Employee benefit plans	2.8	2.6
Deferred revenue	1.1	1.0
Reserve for legal fees and damages	--	0.3
Equity investment in partnerships	1.0	0.6
AROs	0.1	0.1
Accruals	1.3	0.9
Total deferred tax assets	<u>30.9</u>	<u>32.6</u>
Valuation allowance (2)	2.2	3.9
Net deferred tax assets	<u>28.7</u>	<u>28.7</u>
Deferred tax liabilities:		
Property, plant and equipment	97.4	92.9
Other	--	0.1
Total deferred tax liabilities	<u>97.4</u>	<u>93.0</u>
Total net deferred tax liabilities	<u>\$ (68.7)</u>	<u>\$ (64.3)</u>
Current portion of total net deferred tax assets	<u>\$ 1.9</u>	<u>\$ 1.4</u>
Long-term portion of total net deferred tax liabilities	<u>\$ (70.6)</u>	<u>\$ (65.7)</u>

(1) These losses expire in various years between 2010 and 2028 and are subject to limitations on their utilization.

(2) We record a valuation allowance to reduce our deferred tax assets to the amount of future benefit that is more likely than not to be realized.

On May 18, 2006, the State of Texas enacted House Bill 3 which revised the pre-existing state franchise tax. In general, legal entities that conduct business in Texas are subject to the Revised Texas Franchise Tax (i.e., the Texas Margin Tax), including previously non-taxable entities such as limited liability companies, limited partnerships and limited liability partnerships. The tax is assessed on Texas sourced taxable margin which is defined as the lesser of (i) 70% of total revenue or (ii) total revenue less (a) cost of goods sold or (b) compensation and benefits.

Although the bill states that the Texas Margin Tax is not an income tax, it has the characteristics of an income tax since it is determined by applying a tax rate to a base that considers both revenues and expenses. Due to the enactment of the Texas Margin Tax, we recorded a net deferred tax asset of \$0.3 million and a liability of \$1.0 million during the years ended December 31, 2009 and 2008, respectively. The offsetting net benefit of \$0.3 million and net charge of \$1.0 million is shown on our Statements of Consolidated Operations for the years ended December 31, 2009 and 2008, respectively, as a component of "Provision for income taxes."

#### Note 17. Earnings Per Unit

Basic and diluted earnings per unit is computed by dividing net income or loss allocated to limited partners by the weighted-average number of Units outstanding during a period, including Class B Units (see below). The amount of net income allocated to limited partners is derived by subtracting, from net income or loss, our general partner's share of such net income or loss.

As consideration for the contribution of 4,400,000 common units of TEPPCO and the 100% membership interest in TEPPCO GP (including associated TEPPCO IDRs) in May 2007, the Parent Company issued 14,173,304 Class B Units and 16,000,000 Class C Units to private company affiliates of EPCO that are under common control with the Parent Company. As a result of this common control

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relationship, the Class B Units, which were distribution bearing, were treated as outstanding securities for purposes of calculating our basic and diluted earnings per Unit. On July 12, 2007, all of the outstanding 14,173,304 Class B Units were converted to Units on a one-to-one basis. On February 1, 2009, all of the outstanding 16,000,000 Class C Units were converted to Units on a one-to-one basis. The Class C Units were non-participating in current or undistributed earnings prior to conversion. The Units into which the Class C Units were converted were eligible to receive cash distributions beginning with the distribution paid in May 2009. See Note 13 for additional information regarding the Class B and C Units.

The following table shows the allocation of net income to our general partner for the periods indicated:

	For Year Ended December 31,					
	2009		2008		2007	
Net income	\$	204.1	\$	164.0	\$	109.0
Multiplied by general partner ownership interest		0.01	%	0.01	%	0.01
General partner interest in net income	\$	*	\$	*	\$	*

The following table shows the calculation of our limited partners' interest in net income and basic and diluted earnings per Unit.

	For Year Ended December 31,					
	2009		2008		2007	
<b>BASIC AND DILUTED EARNINGS PER UNIT</b>						
<b>Numerator:</b>						
Net income before general partner interest	\$	204.1	\$	164.0	\$	109.0
General partner interest in net income		*		*		*
Limited partners' interest in net income	\$	204.1	\$	164.0	\$	109.0
<b>Denominator:</b>						
Units		137.8		123.2		104.9
Class B Units		--		--		7.5
Total		137.8		123.2		112.4
<b>Basic and diluted earnings per Unit:</b>						
Net income before general partner interest	\$	1.48	\$	1.33	\$	0.97
General partner interest in net income		*		*		*
Limited partners' interest in net income	\$	1.48	\$	1.33	\$	0.97

\* Amount is negligible

**Note 18. Commitments and Contingencies**

**Litigation**

On occasion, we or our unconsolidated affiliates are named as defendants in litigation and legal proceedings relating to our normal business activities, including regulatory and environmental matters. Although we are insured against various risks to the extent we believe it is prudent, there is no assurance that the nature and amount of such insurance will be adequate, in every case, to indemnify us against liabilities arising from future legal proceedings. We are not aware of any litigation, pending or threatened, that we believe is reasonably likely to have a significant adverse effect on our financial position, results of operations or cash flows.

We evaluate our ongoing litigation based upon a combination of litigation and settlement alternatives. These reviews are updated as the facts and combinations of the cases develop or change. Assessing and predicting the outcome of these matters involves substantial uncertainties. In the event that the assumptions we used to evaluate these matters change in future periods or new information becomes

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available, we may be required to record a liability for an adverse outcome. In an effort to mitigate potential adverse consequences of litigation, we could also seek to settle legal proceedings brought against us. We have not recorded any significant reserves for any litigation in our financial statements.

*Parent Company Matters.* In February 2008, Joel A. Gerber, a purported unitholder of the Parent Company, filed a derivative complaint on behalf of the Parent Company in the Court of Chancery of the State of Delaware. The complaint names as defendants EPE Holdings, the Board of Directors of EPE Holdings, EPCO, and Dan L. Duncan and certain of his affiliates. The Parent Company is named as a nominal defendant. The complaint alleges that the defendants, in breach of their fiduciary duties to the Parent Company and its unitholders, caused the Parent Company to purchase in May 2007 the TEPPCO GP membership interests and TEPPCO units from Mr. Duncan and his affiliates at an unfair price. The complaint also alleges that Charles E. McMahan, Edwin E. Smith and Thurmon Andress, constituting the three members of EPE Holdings' ACG Committee, cannot be considered independent because of their relationships with Mr. Duncan. The complaint seeks relief (i) awarding damages for profits allegedly obtained by the defendants as a result of the alleged wrongdoings in the complaint and (ii) awarding plaintiff costs of the action, including fees and expenses of his attorneys and experts. Management believes this lawsuit is without merit and intends to vigorously defend against it. See Note 15 for information regarding our relationship with Mr. Duncan and his affiliates.

*Enterprise Products Partners' Matters.* On September 18, 2006, Peter Brinckerhoff, a purported unitholder of TEPPCO, filed a complaint in the Court of Chancery of the State of Delaware (the "Delaware Court"), in his individual capacity, as a putative class action on behalf of other unitholders of TEPPCO and derivatively on behalf of TEPPCO, concerning, among other things, certain transactions involving TEPPCO and Enterprise Product Partners or their affiliates. Mr. Brinckerhoff filed an amended complaint on July 12, 2007. The amended complaint names as defendants (i) TEPPCO, certain of its current and former directors, and certain of its affiliates, (ii) Enterprise Products Partners and certain of its affiliates, (iii) EPCO and (iv) Dan L. Duncan.

The amended complaint alleges, among other things, that the defendants caused TEPPCO to enter into specified transactions that were unfair to TEPPCO or otherwise unfairly favored Enterprise Products Partners or its affiliates over TEPPCO. These transactions are alleged to include: (i) the joint venture to further expand the Jonah system entered into by TEPPCO and Enterprise Products Partners in August 2006 (the plaintiff alleges that TEPPCO did not receive fair value for allowing Enterprise Products Partners to participate in the joint venture); (ii) the sale by TEPPCO of its Pioneer natural gas processing plant and certain gas processing rights to Enterprise Products Partners in March 2006 (the plaintiff alleges that the purchase price paid by Enterprise Products Partners did not provide fair value to TEPPCO) and (iii) certain amendments to TEPPCO's partnership agreement, including a reduction in the maximum tier of TEPPCO's incentive distribution rights in exchange for TEPPCO units. The amended complaint seeks (i) rescission of the amendments to TEPPCO's partnership agreement, (ii) damages for profits and special benefits allegedly obtained by defendants as a result of the alleged wrongdoings in the amended complaint and (iii) an award to plaintiff of the costs of the action, including fees and expenses of his attorneys and experts. By its Opinion and Order dated November 25, 2008, the Delaware Court dismissed Mr. Brinckerhoff's individual and putative class action claims with respect to the amendments to TEPPCO's partnership agreement. We refer to this action and the remaining claims in this action as the "Derivative Action."

On April 29, 2009, Peter Brinckerhoff and Renee Horowitz, as Attorney in Fact for Rae Kenrow, purported unitholders of TEPPCO, filed separate complaints in the Delaware Court as putative class actions on behalf of other unitholders of TEPPCO, concerning the TEPPCO Merger. On May 11, 2009, these actions were consolidated under the caption Texas Eastern Products Pipeline Company, LLC Merger Litigation, C.A. No. 4548-VCL ("Merger Action"). The complaints name as defendants Enterprise Products Partners, EPGP, TEPPCO GP, the directors of TEPPCO GP, EPCO and Dan L. Duncan.

The Merger Action complaints allege, among other things, that the terms of the merger (as proposed as of the time the Merger Action complaints were filed) are grossly unfair to TEPPCO's unitholders and that the TEPPCO Merger is an attempt to extinguish the Derivative Action without consideration. The complaints further allege that the process through which the Special Committee of the

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ACG Committee of TEPPCO GP was appointed to consider the TEPPCO Merger is contrary to the spirit and intent of TEPPCO's partnership agreement and constitutes a breach of the implied covenant of fair dealing.

The complaints seek relief (i) enjoining the defendants and all persons acting in concert with them from pursuing the TEPPCO Merger, (ii) rescinding the TEPPCO Merger to the extent it is consummated, or awarding rescissory damages in respect thereof, (iii) directing the defendants to account for all damages suffered or to be suffered by the plaintiffs and the purported class as a result of the defendants' alleged wrongful conduct, and (iv) awarding plaintiffs' costs of the actions, including fees and expenses of their attorneys and experts.

On August 5, 2009, the parties entered into a Stipulation and Agreement of Compromise, Settlement and Release (the "Settlement Agreement"). Pursuant to the Settlement Agreement, the board of directors of TEPPCO GP recommended to TEPPCO's unitholders that they approve the adoption of the merger agreement and took all necessary steps to seek unitholder approval for the merger.

The Delaware Court approved the Settlement Agreement on January 15, 2010, dismissing with prejudice the Merger Action and the Derivative Action.

Additionally, on June 29 and 30, 2009, respectively, M. Lee Arnold and Sharon Olesky, purported unitholders of TEPPCO, filed separate complaints in the District Courts of Harris County, Texas, as putative class actions on behalf of other unitholders of TEPPCO, concerning the TEPPCO Merger (the "Texas Actions"). The complaints name as defendants Enterprise Products Partners, TEPPCO, TEPPCO GP, EPG, EPCO, Dan L. Duncan, Jerry Thompson, and the board of directors of TEPPCO GP. The allegations in the complaints are similar to the complaints filed in Delaware on April 29, 2009 and seek similar relief. The named plaintiffs in the two Texas Actions (the "Texas Plaintiffs/Objectors") also appeared in the Delaware proceedings as objectors to the settlement of those cases which were then awaiting court approval. On October 7, 2009, the Texas Plaintiffs/Objectors and the parties to the Settlement Agreement entered into a Stipulation to Withdraw Objection (the "Stipulation"). In accordance with the Stipulation, and upon the receipt of Final Court Approval (as defined in the Settlement Agreement), the Texas Plaintiffs/Objectors agreed to dismiss the Texas Actions with prejudice. As of March 1, 2010, the Texas Actions have been dismissed with prejudice pursuant to the Settlement Agreement.

In February 2007, EPO received a letter from the Environment and Natural Resources Division of the U.S. Department of Justice related to an ammonia release in Kingman County, Kansas on October 27, 2004 from a pressurized anhydrous ammonia pipeline owned by a third-party, Magellan Ammonia Pipeline, L.P. ("Magellan"), and a previous release of ammonia on September 27, 2004 from the same pipeline. EPO was the operator of this pipeline until July 1, 2008. This matter was settled in September 2009, and Magellan has agreed to pay all assessed penalties.

The Attorney General of Colorado on behalf of the Colorado Department of Public Health and Environment ("CDPHE") filed suit against Enterprise Products Partners and others on April 15, 2008 in connection with the construction of a pipeline near Parachute, Colorado. The State sought a temporary restraining order and an injunction to halt construction activities since it alleged that the defendants failed to install measures to minimize damage to the environment and to follow requirements for the pipeline's storm water permit and appropriate storm water plan. Enterprise Products Partners has entered into a settlement agreement with the State that dismisses the suit and assesses a fine of approximately \$0.2 million.

The CDPHE, through its Air Pollution Control Division, has proposed a Compliance Order on Consent with Enterprise Gas Processing, L.L.C for alleged violations of the Colorado Air Pollution and Prevention and Control Act ("Colorado Act") with respect to operations of the Meeker Gas Processing Plant. The Compliance Order proposes an administrative fine of approximately \$0.3 million and would require the Meeker Gas Processing Plant to be operated in compliance with the Colorado Act. We have entered into discussions regarding the terms of the Compliance Order.

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In January 2009, the State of New Mexico filed suit in District Court in Santa Fe County, New Mexico, under the New Mexico Air Quality Control Act. The lawsuit arose out of a February 27, 2008 Notice Of Violation issued to Marathon Oil Corp. ("Marathon") as operator of the Indian Basin natural gas processing facility located in Eddy County, New Mexico. We own a 42.4% undivided interest in the assets comprising the Indian Basin facility. The State alleges violations of its air laws. Marathon agreed to a Consent Decree with the State which was approved by the District Court on December 21, 2009. Under the Decree, Marathon paid the State approximately \$0.6 million, agreed to \$4.5 million of additional environmental projects in New Mexico and agreed to two projects for "corrective measures" at the facility. We are in discussions with Marathon regarding the responsibility for these payments. We believe that any potential payment we make will not have a material impact on our consolidated financial position, results of operations or cash flows.

In connection with our dissociation from TOPS (see Note 8), Oiltanking filed an original petition against Enterprise Offshore Port System, LLC, EPO, TEPPCO O/S Port System, LLC, TEPPCO and TEPPCO GP in the District Court of Harris County, Texas, 61st Judicial District (Cause No. 2009-31367), asserting, among other things, that the dissociation was wrongful and in breach of the TOPS partnership agreement, citing provisions of the agreement that, if applicable, would continue to obligate us and TEPPCO to make capital contributions to fund the project and impose liabilities on us and TEPPCO. On September 17, 2009, Enterprise Products Partners and TEPPCO entered into a settlement agreement with certain affiliates of Oiltanking and TOPS that resolved all disputes between the parties related to the business and affairs of the TOPS project (including the litigation described above). We recognized approximately \$66.9 million of expense during 2009 in connection with this settlement. This charge is classified within our Offshore Pipelines & Services business segment.

Energy Transfer Equity Matters. In July 2007, ETP announced that it was under investigation by the FERC with respect to (i) whether ETP engaged in manipulation or improper trading activities in the Houston Ship Channel market around the time of the hurricanes in the fall of 2005 and other prior periods in order to benefit financially from commodity derivative instrument positions and from certain index-priced physical gas purchases in the Houston Ship Channel market and (ii) whether ETP manipulated daily prices at the Waha and Permian hubs in west Texas on two dates. Certain third-party lawsuits were also filed in connection with these matters.

In September 2009, ETP announced that the FERC approved a settlement agreement related to these allegations. The settlement agreement provides that ETP make a \$5.0 million payment to the federal government and the FERC will dismiss all claims against ETP. Separate from the payment to the federal government, ETP also is required to establish a \$25.0 million fund for the purpose of settling related third-party claims against ETP. This fund amount will be paid into a specific account held by a financial institution selected by mutual agreement of ETP and the FERC. An administrative law judge appointed by the FERC will determine the validity of any third-party claim against this fund. Any party who receives money from this fund will be required to waive all claims against ETP related to this matter. Management of ETP believes that the application of this fund will resolve the existing litigation related to this matter, although, in the event that all plaintiffs in the existing litigation do not participate in this fund, these non-participating plaintiffs will be entitled to continue their litigation claims through the judiciary system.

Pursuant to the settlement agreement, the FERC made no findings of fact or conclusions of law. In addition, the settlement agreement specifies that ETP does not admit or concede to the FERC or any third-party any actual or potential fault, wrongdoing or liability in connection with its alleged conduct related to the FERC claims.

The FERC's actions against ETP also included allegations related to its Oasis pipeline, which is an intrastate pipeline that transports natural gas between the Waha and Katy hubs in Texas. The allegations related to the Oasis pipeline included claims that the pipeline violated Natural Gas Policy Act regulations from January 2004 through June 2006 by granting undue preference to ETP's affiliates. In March 2009, ETP entered into a separate settlement agreement with the FERC related to these allegations. The Oasis settlement agreement did not require ETP to make any payments to the federal government or any other parties.

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**Regulatory Matters**

Certain recent scientific studies have suggested that emissions of certain gases, commonly referred to as “greenhouse gases” and including carbon dioxide and methane, may be contributing to climate change. On June 26, 2009, the U.S. House of Representatives passed the “American Clean Energy and Security Act of 2009,” or “ACESA,” which would establish an economy-wide cap-and-trade program intended to reduce the emissions of greenhouse gases in the United States and would require most sources of greenhouse gas emissions to obtain greenhouse gas emission “allowances” corresponding to their annual emissions of greenhouse gases. The U.S. Senate has also begun work on its own legislation for controlling and reducing emissions of greenhouse gases in the United States. In addition, on December 7, 2009, the U.S. Environmental Protection Agency (“EPA”) announced its finding that emissions of greenhouse gases presented an endangerment to human health and the environment. These findings by the EPA allow the agency to proceed with the adoption and implementation of regulations that would restrict emissions of greenhouse gases under existing provisions of the federal Clean Air Act. Although it may take the EPA several years to adopt and impose regulations limiting emissions of greenhouse gases, any such regulation could require us to incur costs to reduce emissions of greenhouse gases associated with our operations. Any laws or regulations that may be adopted to restrict or reduce emissions of greenhouse gases would likely require us to incur increased operating costs, and may have an adverse effect on our business, financial position, demand for our operations, results of operations and cash flows.

**Contractual Obligations**

The following table summarizes our various contractual obligations at December 31, 2009. A description of each type of contractual obligation follows:

Contractual Obligations	Total	Payment or Settlement due by Period		
		2010	2011	2012
Scheduled maturities of long-term debt	\$ 12,378.5	\$ 562.5	\$ 915.8	\$ 1,452.5
Estimated cash interest payments	\$ 12,520.3	\$ 706.4	\$ 653.7	\$ 599.4
Operating lease obligations	\$ 343.9	\$ 37.6	\$ 35.3	\$ 32.7
Purchase obligations:				
Product purchase commitments:				
Estimated payment obligations:				
Natural gas	\$ 5,697.6	\$ 1,308.9	\$ 685.5	\$ 696.3
NGLs	\$ 2,943.0	\$ 997.0	\$ 339.3	\$ 329.8
Crude oil	\$ 237.3	\$ 237.3	\$ --	\$ --
Petrochemicals & refined products	\$ 2,642.2	\$ 1,486.6	\$ 586.0	\$ 238.5
Other	\$ 114.1	\$ 21.2	\$ 12.2	\$ 11.9
Underlying major volume commitments:				
Natural gas (in BBtus) (1)	969,180	221,530	114,304	116,146
NGLs (in MBbls) (2)	49,300	19,048	5,337	5,159
Crude oil (in MBbls) (2)	2,985	2,985	--	--
Petrochemicals & refined products (in MBbls)	35,034	19,523	7,856	3,266
Service payment commitments	\$ 575.6	\$ 72.0	\$ 57.0	\$ 56.7
Capital expenditure commitments	\$ 497.5	\$ 497.5	\$ --	\$ --

(1) Volume is measured in billion British thermal units (“BBtus”).

(2) Volume is measured in thousands of barrels (“MBbls”).

**Scheduled Maturities of Long-Term Debt.** We have long-term and short-term payment obligations under debt agreements. Amounts shown in the preceding table represent our scheduled future maturities of debt principal for the periods indicated. See Note 12 for additional information regarding our consolidated debt obligations.

**Operating Lease Obligations.** We lease certain property, plant and equipment under noncancelable and cancelable operating leases. Amounts shown in the preceding table represent minimum cash lease payment obligations under our operating leases with terms in excess of one year.



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Our significant lease agreements involve (i) the lease of underground caverns for the storage of natural gas and NGLs, (ii) leased office space with affiliates of EPCO and (iii) land held pursuant to right-of-way agreements. In general, our material lease agreements have current terms that range from 14 to 20 years. The agreements for leased office space with affiliates of EPCO and underground NGL storage caverns we lease from a third party include renewal options that could extend these contracts for up to an additional 20 years. The remainder of our material lease agreements do not provide for additional renewal terms.

Lease expense is charged to operating costs and expenses on a straight line basis over the period of expected economic benefit. Contingent rental payments are expensed as incurred. We are generally required to perform routine maintenance on the underlying leased assets. In addition, certain leases give us the option to make leasehold improvements. Maintenance and repairs of leased assets resulting from our operations are charged to expense as incurred. We did not make any significant leasehold improvements during the years ended December 31, 2009, 2008 or 2007.

The operating lease commitments shown in the preceding table exclude the non-cash, related party expense associated with retained leases contributed to us by EPCO in 1998. EPCO remains liable for the actual cash lease payments associated with these agreements, which it accounts for as operating leases. At December 31, 2009, the retained leases were for approximately 100 railcars. EPCO's minimum future rental payments under these leases are \$0.7 million for each of the years 2010 through 2015 and \$0.3 million for 2016. We record the full value of these payments made by EPCO on our behalf as a non-cash related party operating lease expense, with the offset to equity accounted for as a general contribution to our partnership.

The retained lease agreements contain lessee purchase options, which are at prices that approximate fair value of the underlying leased assets. EPCO has assigned these purchase options to us. We exercised our election under the retained leases to purchase a cogeneration unit in December 2008 for \$2.3 million. Should we decide to exercise the purchase option associated with the remaining agreement, we would pay the original lessor \$3.1 million in June 2016.

Lease and rental expense included in costs and expenses was \$60.7 million, \$56.8 million and \$61.4 million during the years ended December 31, 2009, 2008 and 2007, respectively.

**Purchase Obligations.** We define a purchase obligation as an agreement to purchase goods or services that is enforceable and legally binding (unconditional) on us that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transactions. We have classified our unconditional purchase obligations into the following categories:

§ We have long and short-term product purchase obligations for natural gas, NGLs, crude oil, refined products and certain petrochemicals with third-party suppliers. The prices that we are obligated to pay under these contracts approximate market prices at the time we take delivery of the volumes. The preceding table shows our volume commitments and estimated payment obligations under these contracts for the periods indicated. Our estimated future payment obligations are based on the contractual price under each contract for purchases made at December 31, 2009 applied to all future volume commitments. Actual future payment obligations may vary depending on prices at the time of delivery. At December 31, 2009, we do not have any significant product purchase commitments with fixed or minimum pricing provisions with remaining terms in excess of one year.

§ We have long and short-term commitments to pay third-party providers for services. Our contractual service payment commitments primarily represent our obligations under firm pipeline transportation contracts on pipelines owned by third parties. Payment obligations vary by contract, but generally represent a price per unit of volume multiplied by a firm transportation volume commitment. The preceding table shows our estimated future payment obligations under these service contracts.

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§We have short-term payment obligations relating to our capital projects and those of our unconsolidated affiliates. These commitments represent unconditional payment obligations to vendors for services rendered or products purchased. The preceding table presents our share of such commitments for the periods indicated.

***Commitments Under Equity Compensation Plans of EPCO***

In accordance with our agreements with EPCO, we reimburse EPCO for our share of its compensation expense associated with certain employees who perform management, administrative and operating functions for us. See Note 5 for additional information regarding our accounting for equity awards.

***Other Claims***

As part of our normal business activities with joint venture partners, customers and suppliers, we occasionally have claims made against us as a result of disputes related to contractual agreements. As of December 31, 2009, claims against us totaled approximately \$21.1 million. These matters are in various stages of assessment and the ultimate outcome of such disputes cannot be reasonably estimated. However, in our opinion, the likelihood of a material adverse outcome related to disputes against us is remote. Accordingly, accruals for loss contingencies related to these matters that might result from the resolution of such disputes have not been reflected in our consolidated financial statements.

***Other Commitments***

We transport and store natural gas, NGLs and petrochemicals for third parties under various processing, storage, transportation and similar agreements. These volumes are either accrued as product payables, in transit for delivery to our customers or held at our storage facilities for redelivery to customers. Under terms of our storage agreements, we are generally required to redeliver volumes to the owner on demand. At December 31, 2009, NGL and petrochemical products aggregating 29.8 million barrels were due to be redelivered to their owners along with 17,112 BBtus of natural gas. See Note 2 for more information regarding accrued product payables.

***Centennial Guarantees***

We have certain guarantee obligations in connection with our ownership interest in Centennial. We have guaranteed one-half of Centennial's debt obligations, which obligates us to an estimated payment of \$60.0 million in the event of a default by Centennial. At December 31, 2009, we had a liability of \$8.4 million representing the estimated fair value of our share of the Centennial debt guaranty. See Note 12 for information regarding Centennial's debt obligations.

In lieu of Centennial procuring insurance to satisfy third-party liabilities arising from a catastrophic event, we and Centennial's other joint venture partner have entered a limited cash call agreement. We are obligated to contribute up to a maximum of \$50.0 million (in proportion to our ownership interest in Centennial) in the event of a catastrophic event. At December 31, 2009, we had a liability of \$3.6 million representing the estimated fair value of our cash call guaranty. Cash contributions to Centennial under the limited cash call agreement may be covered by our insurance depending on the nature of the catastrophic event.

**Note 19. Significant Risks and Uncertainties**

***Nature of Operations in Midstream Energy Industry***

Our operations are within the midstream energy industry, which includes gathering, transporting, processing, fractionating and storing natural gas, NGLs, crude oil, refined products and certain

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petrochemicals. We also market natural gas, NGLs, crude oil and other hydrocarbon products. As such, our financial position, results of operations and cash flows may be affected by changes in the commodity prices of these hydrocarbon products, including changes in the relative price levels among these products (e.g., natural gas processing margins are influenced by the ratio of natural gas prices to crude oil prices). The prices of hydrocarbon products are subject to fluctuation in response to changes in supply, market uncertainty and a variety of additional factors that are beyond our control.

Our profitability could be impacted by a decline in the volume of hydrocarbon products gathered, transported, processed, fractionated or stored at our facilities. A material decrease in natural gas or crude oil production or crude oil refining, for reasons such as depressed commodity prices or a decrease in exploration and development activities, could result in a decline in the volume of natural gas, NGLs, refined products and crude oil handled by our facilities.

A reduction in demand for natural gas, crude oil, NGL and other hydrocarbon products by the petrochemical, refining or heating industries, whether because of: (i) general economic conditions, (ii) reduced demand by consumers for the end products made using such products, (iii) increased competition from other products due to pricing differences, (iv) adverse weather conditions, (v) government regulations affecting energy commodity prices, production levels of hydrocarbons or the content of motor gasoline or (vi) other reasons, could adversely affect our financial position, results of operations and cash flows.

***Credit Risk Due to Industry Concentrations***

A substantial portion of our revenues are derived from companies in the domestic natural gas, NGL and petrochemical industries. This concentration could affect our overall exposure to credit risk since these customers may be affected by similar economic or other conditions. We generally do not require collateral for our accounts receivable; however, we do attempt to negotiate offset, prepayment, or automatic debit agreements with customers that are deemed to be credit risks in order to minimize our potential exposure to any defaults. See Note 14 for information regarding our largest customers.

***Counterparty Risk with Respect to Derivative Instruments***

In those situations where we are exposed to credit risk in our derivative instrument transactions, we analyze the counterparty's financial condition prior to entering into an agreement, establish credit and/or margin limits and monitor the appropriateness of these limits on an ongoing basis. Generally, we do not require collateral nor do we anticipate nonperformance by our counterparties.

***Insurance-Related Risks***

We participate as a named insured in EPCO's insurance program, which provides us with property damage, business interruption and other coverages, the scope and amounts of which are customary and sufficient for the nature and extent of our operations. While we believe EPCO maintains adequate insurance coverage on our behalf, insurance will not cover every type of damage or interruption that might occur. If we were to incur a significant liability for which we were not fully insured, it could have a material impact on our consolidated financial position, results of operations and cash flows. In addition, the proceeds of any such insurance may not be paid in a timely manner and may be insufficient to reimburse us for our repair costs or lost income. Any event that interrupts the revenues generated by our consolidated operations, or which causes us to make significant expenditures not covered by insurance, could reduce our ability to pay distributions to our partners and, accordingly, adversely affect the market price of our common units.

EPCO's deductible for onshore physical damage from windstorms is currently \$25.0 million per storm. EPCO's onshore program currently provides \$150.0 million per occurrence for named windstorm events. With respect to offshore assets, the windstorm deductible is \$75.0 million per storm. EPCO's offshore program currently provides \$100.0 million in the aggregate. For non-windstorm events, EPCO's deductible for both onshore and offshore physical damage is \$5.0 million per occurrence. For certain of our major offshore assets, our producer customers have agreed to provide a specified level of physical

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damage insurance for named windstorms. For example, the producers associated with our Independence Hub and Marco Polo platforms have agreed to cover windstorm generated physical damage costs up to \$250.0 million for each platform.

Business interruption coverage in connection with a windstorm event remains in place for onshore assets, but was eliminated for offshore assets. Onshore assets covered by business interruption insurance must be out-of-service in excess of 60 days before any losses from business interruption will be covered. Furthermore, pursuant to the current policy, we will now absorb 50% of the first \$50.0 million of any loss in excess of deductible amounts for our onshore assets.

The following table summarizes proceeds we received from weather-related business interruption and property damage insurance claims during the periods indicated:

	<b>For Year Ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Business interruption proceeds:</b>			
Hurricanes Katrina and Rita in 2005	\$ --	\$ 1.1	\$ 33.9
Hurricanes Gustav and Ike in 2008	33.2	--	--
Other	--	--	1.4
Total proceeds	<u>33.2</u>	<u>1.1</u>	<u>35.3</u>
<b>Property damage proceeds:</b>			
Hurricanes Katrina and Rita in 2005	38.6	12.1	103.7
Hurricanes Gustav and Ike in 2008	15.1	--	--
Other	0.7	--	1.5
Total proceeds	<u>54.4</u>	<u>12.1</u>	<u>105.2</u>
<b>Total</b>	<u>\$ 87.6</u>	<u>\$ 13.2</u>	<u>\$ 140.5</u>

At December 31, 2009, we have \$37.6 million of estimated property damage claims outstanding related to these storms that we believe are probable of collection through 2010. To the extent we estimate the dollar value of such damages, please be aware that a change in our estimates may occur as additional information becomes available.

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**Note 20. Supplemental Cash Flow Information**

The following table provides information regarding: (i) the net effect of changes in our operating assets and liabilities; (ii) cash payments for interest and (iii) cash payments for federal and state income taxes for the periods indicated.

	<b>For Year Ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
Decrease (increase) in:			
Accounts and notes receivable – trade	\$ (1,069.1 )	\$ 1,333.9	\$ (1,176.4 )
Accounts receivable – related party	7.2	0.2	(0.2 )
Inventories	(317.4 )	14.9	(34.8 )
Prepaid and other current assets	71.1	(26.3 )	32.7
Other assets	15.0	(12.0 )	(2.2 )
Increase (decrease) in:			
Accounts payable – trade	(44.4 )	(7.2 )	42.6
Accounts payable – related party	44.9	3.4	(4.7 )
Accrued product payables	1,553.0	(1,720.4 )	1,398.8
Accrued expenses	42.4	4.6	126.5
Accrued interest	28.2	13.9	56.6
Other current liabilities	(97.6 )	(26.7 )	20.3
Other liabilities	16.8	7.1	(1.6 )
Net effect of changes in operating accounts	<u>\$ 250.1</u>	<u>\$ (414.6 )</u>	<u>\$ 457.6</u>
Cash payments for interest, net of \$53.1, \$90.7 and \$86.5 capitalized in 2009, 2008 and 2007, respectively	<u>\$ 699.9</u>	<u>\$ 643.0</u>	<u>\$ 340.5</u>
Cash payments for federal and state income taxes	<u>\$ 29.5</u>	<u>\$ 6.8</u>	<u>\$ 5.8</u>

We incurred liabilities for construction in progress that had not been paid at December 31, 2009, 2008 and 2007 of \$182.6 million, \$108.0 million and \$98.0 million, respectively. Such amounts are not included under the caption "Capital expenditures" on the Statements of Consolidated Cash Flows.

Third parties may be obligated to reimburse us for all or a portion of expenditures on certain of our capital projects. The majority of such arrangements are associated with projects related to pipeline construction and production well tie-ins. These amounts are included under the caption "Contributions in aid of construction costs" on the Statements of Consolidated Cash Flows.

**Note 21. Quarterly Financial Information (Unaudited)**

The following table presents selected quarterly financial data for the years ended December 31, 2009 and 2008:

	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>
<b>For the Year Ended December 31, 2009:</b>				
Revenues	\$ 4,886.9	\$ 5,434.3	\$ 6,789.4	\$ 8,400.3
Operating income	498.2	377.8	353.4	625.2
Net income	317.7	204.0	174.9	443.7
Net income attributable to Enterprise GP Holdings L.P.	62.9	39.1	25.3	76.8
Net income per Unit: Basic and diluted	\$ 0.47	\$ 0.28	\$ 0.18	\$ 0.55
<b>For the Year Ended December 31, 2008:</b>				
Revenues	\$ 8,506.3	\$ 10,538.6	\$ 10,499.2	\$ 5,925.5
Operating income	479.5	468.7	410.0	413.9
Net income	327.9	316.8	249.6	250.8
Net income attributable to Enterprise GP Holdings L.P.	46.6	49.4	42.0	26.0
Net income per Unit: Basic and diluted	\$ 0.38	\$ 0.40	\$ 0.34	\$ 0.21

**Note 22. Supplemental Parent Company Financial Information**

In order to fully understand the financial position and results of operations of the Parent Company, we are providing the condensed standalone financial information of Enterprise GP Holdings L.P. apart from that of our consolidated Partnership financial information.

The Parent Company has no operations apart from its investing activities and indirectly overseeing the management of the entities controlled by it. At December 31, 2009, the Parent Company had investments in Enterprise Products Partners, Energy Transfer Equity and their respective general partners. The Parent Company controls Enterprise Products Partners through its ownership of EPGP. The Parent Company owns noncontrolling partnership and membership interests in Energy Transfer Equity and LE GP, respectively. At December 31, 2008, the Parent Company had investments in Enterprise Products Partners, TEPPCO, Energy Transfer Equity and their respective general partners. On October 26, 2009, the TEPPCO Merger was completed and TEPPCO and TEPPCO GP became wholly owned subsidiaries of Enterprise Products Partners.

The Parent Company's primary cash requirements are for general and administrative costs, debt service requirements and distributions to its partners. The principal sources of cash flow for the Parent Company are the distributions it receives from its investments in Enterprise Products Partners, Energy Transfer Equity and their respective general partners. The amount of cash distributions the Parent Company is able to pay its unitholders may fluctuate based on the level of distributions it receives from its investments. For example, if EPO is not able to satisfy certain financial covenants in accordance with its credit agreements, Enterprise Products Partners would be restricted from making quarterly cash distributions to its partners, which includes the Parent Company.

Factors such as capital contributions, debt service requirements, general and administrative costs, reserves for future distributions and other cash reserves established by the Board of EPE Holdings may affect the distributions the Parent Company makes to its unitholders. The Parent Company's credit facility contains covenants requiring it to maintain certain financial ratios. Also, the Parent Company is prohibited from making any distribution to its unitholders if such distribution would cause an event of default or otherwise violate a covenant under its credit facility.

The Parent Company's assets and liabilities are not available to satisfy the debts and other obligations of Enterprise Products Partners, Energy Transfer Equity or their respective general partners. Conversely, the assets and liabilities of these entities are not available to satisfy the debts and obligations of the Parent Company.

***Enterprise Products Partners and EPGP***

At December 31, 2009, the Parent Company owned 21,167,783 common units of Enterprise Products Partners and 100% of the membership interests of EPGP, which is entitled to 2% of the cash distributions paid by Enterprise Products Partners as well as the IDRs of Enterprise Products Partners.

EPGP's percentage interest in Enterprise Products Partners' quarterly cash distributions is increased through its ownership of the associated IDRs, after certain specified target levels of distribution rates are met by Enterprise Products Partners. EPGP's quarterly general partner and associated incentive distribution thresholds are as follows:

- § 2% of quarterly cash distributions up to \$0.253 per unit paid by Enterprise Products Partners;
- § 15% of quarterly cash distributions from \$0.253 per unit up to \$0.3085 per unit paid by Enterprise Products Partners; and
- § 25% of quarterly cash distributions that exceed \$0.3085 per unit paid by Enterprise Products Partners.

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The following table summarizes the distributions received by EPGP from Enterprise Products Partners for the periods indicated:

	<b>For Year Ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
From 2% general partner interest	\$ 21.8	\$ 18.2	\$ 16.9
From IDRs	161.3	125.9	107.4
Total	<u>\$ 183.1</u>	<u>\$ 144.1</u>	<u>\$ 124.3</u>

**Energy Transfer Equity and LE GP**

On May 7, 2007, the Parent Company acquired 38,976,090 common units of Energy Transfer Equity and approximately 34.9% of the membership interests in LE GP for \$1.65 billion in cash. On January 22, 2009, the Parent Company acquired an additional 5.7% membership interest in LE GP for \$0.8 million, which increased our total ownership in LE GP to 40.6%.

LE GP owns a 0.31% general partner interest in Energy Transfer Equity, which general partner interest has no associated IDRs in the quarterly cash distributions of Energy Transfer Equity. The business purpose of LE GP is to manage the affairs and operations of Energy Transfer Equity. LE GP has no separate business activities outside of those conducted by Energy Transfer Equity.

Energy Transfer Equity is a publicly traded Delaware limited partnership formed in 2002 that completed its initial public offering in February 2006. Energy Transfer Equity's only cash generating assets are its investments in limited and general partner interests of ETP as follows:

§ Direct ownership of 62,500,797 ETP limited partner units, representing approximately 35% of ETP's total outstanding common units at December 31, 2009.

§ Indirect ownership of the general partner interest of ETP (representing a 1.9% interest as of December 31, 2009) and all associated IDRs held by ETP's general partner, of which Energy Transfer Equity owns 100% of the membership interests. Currently, the quarterly general partner and associated IDR thresholds of ETP's general partner are based on the ETP general partner percentage interest, plus the following with respect to the IDRs:

§ 13% of quarterly cash distributions from \$0.275 per unit up to \$0.3175 per unit paid by ETP;

§ 23% of quarterly cash distributions from \$0.3175 per unit up to \$0.4125 per unit paid by ETP; and

§ 48% of quarterly cash distributions that exceed \$0.4125 per unit paid by ETP.

The following table summarizes the cash distributions received by Energy Transfer Equity from ETP for the periods indicated:

	<b>For Year Ended December 31,</b>		<b>Four Months Ended</b>	<b>Year Ended</b>
	<b>2009</b>	<b>2008</b>	<b>December 31,</b>	<b>August 31,</b>
			<b>2007 (1)</b>	<b>2007 (1)</b>
Limited partners interests	\$ 223.4	\$ 221.9	\$ 70.3	\$ 199.2
General partner interest	19.5	17.3	5.1	13.7
IDRs	350.5	298.6	85.8	222.4
Total distributions received	<u>\$ 593.4</u>	<u>\$ 537.8</u>	<u>\$ 161.2</u>	<u>\$ 435.3</u>

(1) In November 2007, Energy Transfer Equity changed its fiscal year end from August 31 to December 31. Energy Transfer Equity did not recast its consolidated financial data for prior fiscal periods; however, it did complete a four month transition period that began on September 1, 2007 and ended December 31, 2007.

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**TEPPCO and TEPPCO GP**

Private company affiliates of EPCO contributed equity interests in TEPPCO and TEPPCO GP to the Parent Company in May 2007. As a result of such contributions, the Parent Company owned 4,400,000 common units of TEPPCO and 100% of the membership interests of TEPPCO GP, which was entitled to 2% of the cash distributions of TEPPCO as well as the IDRs of TEPPCO. On October 26, 2009, the TEPPCO Merger was completed and TEPPCO and TEPPCO GP became wholly owned subsidiaries of Enterprise Products Partners. As a result, the Parent Company's ownership interests in the TEPPCO units were converted to 5,456,000 common units of Enterprise Products Partners. In addition, the Parent Company's membership interests in TEPPCO GP were exchanged for (i) 1,331,681 common units of Enterprise Products Partners and (ii) EPGP (on behalf of the Parent Company as a wholly owned subsidiary of the Parent Company) was credited in its Enterprise Products Partners' capital account an amount to maintain its 2% general partner interest in Enterprise Products Partners. For additional information regarding the TEPPCO Merger, see Note 1 "Basis of Presentation."

**Condensed Parent Company Cash Flow Information**

The following table presents the Parent Company's cash flow information for the periods indicated:

	<b>For Year Ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Operating activities:</b>			
Net income	\$ 204.1	\$ 164.0	\$ 109.0
<i>Adjustments to reconcile net income to net cash flows provided by operating activities:</i>			
Amortization	2.1	1.3	9.7
Equity income	(259.8 )	(238.8 )	(187.6 )
Cash distributions from investees	355.4	313.5	237.6
Net effect of changes in operating accounts	(3.2 )	(5.3 )	15.9
Net cash flows provided by operating activities	<u>298.6</u>	<u>234.7</u>	<u>184.6</u>
<b>Investing activities:</b>			
Investments (1)	(38.3 )	(7.7 )	(1,650.8 )
Cash used in investing activities	<u>(38.3 )</u>	<u>(7.7 )</u>	<u>(1,650.8 )</u>
<b>Financing activities:</b>			
Borrowings under debt agreements	117.6	67.6	3,787.0
Repayments of debt	(113.1 )	(80.6 )	(2,852.0 )
Debt issuance costs	--	(0.1 )	(18.6 )
Cash distributions paid by Parent Company	(266.7 )	(213.1 )	(159.0 )
Proceeds from issuance of Parent Company's Units, net	--	--	739.4
Cash distributions paid by former owners of TEPPCO interests	--	--	(29.8 )
Contribution from partners	--	--	0.1
Cash provided by (used in) financing activities	<u>(262.2 )</u>	<u>(226.2 )</u>	<u>1,467.1</u>
<b>Net change in cash and cash equivalents</b>	<b>(1.9 )</b>	<b>0.8</b>	<b>0.9</b>
<b>Cash and cash equivalents, January 1</b>	<b>2.5</b>	<b>1.7</b>	<b>0.8</b>
<b>Cash and cash equivalents, December 31</b>	<b>\$ 0.6</b>	<b>\$ 2.5</b>	<b>\$ 1.7</b>

(1) The amount for 2007 includes the \$1.65 billion paid to acquire interests in Energy Transfer Equity and LE GP in May 2007.



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The following table details the components of cash distributions received from investees and cash distributions paid by the Parent Company for the periods indicated:

	<b>For Year Ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Cash distributions from investees: (1)</b>			
Investment in Enterprise Products Partners and EPGP:			
From common units of Enterprise Products Partners	\$ 33.5	\$ 27.5	\$ 25.8
From 2% general partner interest in Enterprise Products Partners	21.8	18.2	16.9
From general partner IDRs in distributions of Enterprise Products Partners	161.3	123.9	104.7
Investment in TEPPCO and TEPPCO GP:			
From 4,400,000 common units of TEPPCO	9.6	12.5	12.1
From 2% general partner interest in TEPPCO	4.7	5.6	5.0
From general partner IDRs in distributions of TEPPCO	41.8	49.3	43.2
Investment in Energy Transfer Equity and LE GP: (2)			
From 38,976,090 common units of Energy Transfer Equity	82.0	76.0	29.7
From member interest in LE GP	0.7	0.5	0.2
Total cash distributions received	<u>\$ 355.4</u>	<u>\$ 313.5</u>	<u>\$ 237.6</u>
<b>Distributions by the Parent Company:</b>			
EPCO and affiliates	\$ 205.7	\$ 158.9	\$ 125.9
Public	61.0	54.2	33.1
General partner interest	*	*	*
Total distributions by the Parent Company	<u>\$ 266.7</u>	<u>\$ 213.1</u>	<u>\$ 159.0</u>
<b>Distributions paid to affiliates of EPCO that were the former owners of the TEPPCO and TEPPCO GP interests contributed to the Parent Company in May 2007 (3)</b>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 29.8</u>

\* Amount is negligible.

(1) Represents cash distributions received during each reporting period.

(2) The Parent Company received its first cash distribution from Energy Transfer Equity and LE GP in July 2007.

(3) Represents cash distributions paid to affiliates of EPCO that were former owners of these partnership and membership interests prior to the contribution of such interests to the Parent Company in May 2007.

**Condensed Parent Company Balance Sheet Information**

The following table presents the Parent Company's balance sheet information at the dates indicated:

	December 31,	
	2009	2008
<b>ASSETS</b>		
<b>Current assets</b>	\$ 2.7	\$ 4.6
<b>Investments:</b>		
Enterprise Products Partners and EPGP	1,522.8	829.2
TEPPCO and TEPPCO GP (1)	--	708.5
Energy Transfer Equity and LE GP	1,525.6	1,564.0
Total investments	3,048.4	3,101.7
<b>Other assets</b>	6.4	8.2
Total assets	\$ 3,057.5	\$ 3,114.5
<b>LIABILITIES AND PARTNERS' EQUITY</b>		
<b>Current liabilities</b>	\$ 17.9	\$ 23.2
<b>Long-term debt</b> (see Note 12)	1,081.5	1,077.0
<b>Other long-term liabilities</b>	4.5	13.2
<b>Partners' equity</b>	1,953.6	2,001.1
Total liabilities and partners' equity	\$ 3,057.5	\$ 3,114.5

(1) On October 26, 2009, the TEPPCO Merger was completed and TEPPCO and TEPPCO GP became wholly owned subsidiaries of Enterprise Products Partners.

**Condensed Parent Company Income Information**

The following table presents the Parent Company's income information for the periods indicated:

	For Year Ended December 31,		
	2009	2008	2007
<b>Equity income:</b>			
Enterprise Products Partners and EPGP	\$ 205.2	\$ 167.8	\$ 128.5
TEPPCO and TEPPCO GP	13.5	39.7	56.0
Energy Transfer Equity and LE GP	41.1	31.3	3.1
Total equity income	259.8	238.8	187.6
<b>General and administrative costs</b>	10.3	7.3	4.3
<b>Operating income</b>	249.5	231.5	183.3
<b>Other income (expense):</b>			
Interest expense	(45.4 )	(67.5 )	(74.5 )
Interest income	--	--	0.2
Total	(45.4 )	(67.5 )	(74.3 )
<b>Net income</b>	\$ 204.1	\$ 164.0	\$ 109.0

**Note 23. Subsequent Event**

**Enterprise Products Partners Issues \$343.1 Million of Common Units**

In January 2010, Enterprise Products Partners issued 10,925,000 common units (including an over-allotment of 1,425,000 common units) to the public at an offering price of \$32.42 per unit. Enterprise Products Partners used the net cash proceeds of \$343.1 million to temporarily reduce borrowings outstanding under EPO's Multi-Year Revolving Credit Facility, which may be reborrowed to fund capital expenditures and other growth projects, and for general partnership purposes.



**INDEX TO FINANCIAL STATEMENTS****Energy Transfer Equity, L.P. and Subsidiaries**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Partners  
Energy Transfer Equity, L.P.

We have audited the accompanying consolidated balance sheets of Energy Transfer Equity, L.P. (a Delaware limited partnership) and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of operations, comprehensive income, equity, and cash flows for each of the two years in the period ended December 31, 2009, the four months ended December 31, 2007, and the year ended August 31, 2007. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Energy Transfer Equity, L.P. and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2009, the four months ended December 31, 2007, and the year ended August 31, 2007 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, the Partnership retrospectively adopted a new accounting pronouncement on January 1, 2009 related to the accounting for noncontrolling interests in consolidated financial statements.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Energy Transfer Equity, L.P.'s internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 24, 2010 (not separately included herein), expressed an unqualified opinion on the effectiveness of internal control over financial reporting.

/s/ GRANT THORNTON LLP

Tulsa, Oklahoma  
February 24, 2010

## ENERGY TRANSFER EQUITY, L.P. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

	December 31, 2009	December 31, 2008
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 68,315	\$ 92,023
Marketable securities	6,055	5,915
Accounts receivable, net of allowance for doubtful accounts	566,522	591,257
Accounts receivable from related companies	51,894	15,142
Inventories	389,954	272,348
Exchanges receivable	23,136	45,209
Price risk management assets	12,371	5,423
Other current assets	149,712	153,678
Total current assets	<u>1,267,959</u>	<u>1,180,995</u>
PROPERTY, PLANT AND EQUIPMENT, net	9,064,475	8,702,534
ADVANCES TO AND INVESTMENT IN AFFILIATES	663,298	10,110
GOODWILL	775,094	773,283
INTANGIBLES AND OTHER ASSETS, net	389,683	402,980
Total assets	<u>\$ 12,160,509</u>	<u>\$ 11,069,902</u>

The accompanying notes are an integral part of these consolidated financial statements.

## ENERGY TRANSFER EQUITY, L.P. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

	December 31, 2009	December 31, 2008
<b><u>LIABILITIES AND EQUITY</u></b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 359,176	\$ 381,933
Accounts payable to related companies	38,515	34,495
Exchanges payable	19,203	54,636
Price risk management liabilities	65,146	142,432
Interest payable	137,708	115,487
Accrued and other current liabilities	229,073	434,706
Current maturities of long-term debt	40,924	45,232
Total current liabilities	<u>889,745</u>	<u>1,208,921</u>
LONG-TERM DEBT, less current maturities	7,750,998	7,190,357
LONG-TERM PRICE RISK MANAGEMENT LIABILITIES	73,332	121,710
DEFERRED INCOME TAXES	204,373	194,871
OTHER NON-CURRENT LIABILITIES	21,810	14,727
COMMITMENTS AND CONTINGENCIES (Note 11)	<u>8,940,258</u>	<u>8,730,586</u>
<b>EQUITY:</b>		
<b>PARTNERS' CAPITAL (DEFICIT):</b>		
General Partner	368	155
Limited Partners:		
Common Unitholders (222,898,248 and 222,829,956 units authorized, issued and outstanding at December 31, 2009 and 2008, respectively)	53,412	(15,762 )
Accumulated other comprehensive loss	(53,628 )	(67,825 )
Total partners' capital (deficit)	<u>152</u>	<u>(83,432 )</u>
Noncontrolling interest	3,220,099	2,422,748
Total equity	<u>3,220,251</u>	<u>2,339,316</u>
Total liabilities and equity	<u>\$ 12,160,509</u>	<u>\$ 11,069,902</u>

The accompanying notes are an integral part of these consolidated financial statements.

## ENERGY TRANSFER EQUITY, L.P. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per unit data)

	Years Ended December 31,		Four Months Ended	Year Ended August 31,
	2009	2008	December 31, 2007	2007
<b>REVENUES:</b>				
Natural gas operations	\$ 4,115,806	\$ 7,653,156	\$ 1,832,192	\$ 5,385,8
Retail propane	1,190,524	1,514,599	471,494	1,179,0
Other	110,965	125,612	45,656	227,0
Total revenues	5,417,295	9,293,367	2,349,342	6,792,0
<b>COSTS AND EXPENSES:</b>				
Cost of products sold - natural gas operations	2,519,575	5,885,982	1,343,237	4,207,7
Cost of products sold - retail propane	574,854	1,014,068	315,698	734,2
Cost of products sold - other	27,627	38,030	14,719	136,3
Operating expenses	680,893	781,831	221,757	559,6
Depreciation and amortization	325,024	274,372	75,406	191,3
Selling, general and administrative	178,924	200,181	61,874	153,5
Total costs and expenses	4,306,897	8,194,464	2,032,691	5,982,7
OPERATING INCOME	1,110,398	1,098,903	316,651	809,3
<b>OTHER INCOME (EXPENSE):</b>				
Interest expense, net of interest capitalized	(468,420 )	(357,541 )	(103,375 )	(279,9
Equity in earnings (losses) of affiliates	20,597	(165 )	(94 )	5,1
Gains (losses) on disposal of assets	(1,564 )	(1,303 )	14,310	(6,3
Gains (losses) on non-hedged interest rate derivatives	33,619	(128,423 )	(28,683 )	29,0
Allowance for equity funds used during construction	10,557	63,976	7,276	4,9
Other, net	1,913	8,115	(13,327 )	1,1
INCOME BEFORE INCOME TAX EXPENSE	707,100	683,562	192,758	563,3
Income tax expense	9,229	3,808	9,949	11,3
NET INCOME	697,871	679,754	182,809	551,9
LESS: NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST	255,398	304,710	90,132	232,6
NET INCOME ATTRIBUTABLE TO PARTNERS	442,473	375,044	92,677	319,3
GENERAL PARTNER'S INTEREST IN NET INCOME	1,370	1,161	287	1,0
LIMITED PARTNERS' INTEREST IN NET INCOME	\$ 441,103	\$ 373,883	\$ 92,390	\$ 318,3
BASIC NET INCOME PER LIMITED PARTNER UNIT	\$ 1.98	\$ 1.68	\$ 0.41	\$ 1.
BASIC AVERAGE NUMBER OF UNITS OUTSTANDING	222,898,203	222,829,956	222,829,916	204,578,7
DILUTED NET INCOME PER LIMITED PARTNER UNIT	\$ 1.98	\$ 1.68	\$ 0.41	\$ 1.
DILUTED AVERAGE NUMBER OF UNITS OUTSTANDING	222,898,203	222,829,956	222,829,916	204,578,7

The accompanying notes are an integral part of these consolidated financial statements.



**ENERGY TRANSFER EQUITY, L.P. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Dollars in thousands)

	Years Ended December 31,		Four Months Ended	Year Ended August 31,
	2009	2008	December 31, 2007	2007
Net income	\$ 697,871	\$ 679,754	\$ 182,809	\$ 551,968
Other comprehensive income (loss), net of tax:				
Reclassification to earnings of gains and losses on derivative instruments accounted for as cash flow hedges	16,958	(22,916 )	(17,970 )	(163,378 )
Change in value of derivative instruments accounted for as cash flow hedges	(11,017 )	(40,350 )	(2,221 )	179,861
Change in value of available-for-sale securities	10,923	(6,418 )	(98 )	280
	<u>16,864</u>	<u>(69,684 )</u>	<u>(20,289 )</u>	<u>16,763</u>
Comprehensive income	714,735	610,070	162,520	568,731
Less: Comprehensive income attributable to noncontrolling interest	<u>258,066</u>	<u>291,624</u>	<u>92,832</u>	<u>239,885</u>
Comprehensive income attributable to partners	<u>\$ 456,669</u>	<u>\$ 318,446</u>	<u>\$ 69,688</u>	<u>\$ 328,846</u>

The accompanying notes are an integral part of these consolidated financial statements.

## ENERGY TRANSFER EQUITY, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY  
(Dollars in thousands)

	General Partner	Common Unitholders	Class B Unitholders	Class C Unitholders	Acc Comp
<b>Balance, August 31, 2006</b>	\$ (69 )	\$ (9,586 )	\$ 53,130	\$ -	
Unit issuances	-	372,638	-	4,456	
Equity issue costs of Class C Units	-	-	-	(204 )	
Assumption of related company debt	-	-	-	(70,500 )	
Distribution to partners	(955 )	(246,136 )	(1,645 )	(28,261 )	
Subsidiary distributions and other	-	-	-	-	
Purchase premium on ETP Class G Units	-	(451,150 )	-	-	
Tax effect of remedial income allocation from tax amortization of goodwill	-	-	-	-	
Non-cash unit-based compensation expense	-	28	-	-	
Other comprehensive income, net of tax	-	-	-	-	
<b>Net income</b>	<b>1,048</b>	<b>260,184</b>	<b>2,524</b>	<b>55,604</b>	
Conversion to Common Units	-	15,104	(54,009 )	38,905	
<b>Balance, August 31, 2007</b>	<b>24</b>	<b>(58,918 )</b>	<b>-</b>	<b>-</b>	
Distributions to partners	(270 )	(86,904 )	-	-	
Subsidiary distributions and other	-	-	-	-	
Tax effect of remedial income allocation from tax amortization of goodwill	-	-	-	-	
Non-cash unit-based compensation expense, net of units tendered by employees for tax withholdings	-	23	-	-	
Non-cash executive compensation expense	-	-	-	-	
Subsidiary sale of common units	151	48,781	-	-	
Other comprehensive loss, net of tax	-	-	-	-	
<b>Net income</b>	<b>287</b>	<b>92,390</b>	<b>-</b>	<b>-</b>	
<b>Balance, December 31, 2007</b>	<b>192</b>	<b>(4,628 )</b>	<b>-</b>	<b>-</b>	
Distributions to partners	(1,349 )	(434,519 )	-	-	
Subsidiary distributions	-	-	-	-	
Tax effect of remedial income allocation from tax amortization of goodwill	-	-	-	-	
Non-cash unit-based compensation expense, net of units tendered by employees for tax withholdings	-	823	-	-	
Non-cash executive compensation expense	-	48	-	-	
Subsidiary sale of common units	151	48,631	-	-	
Other comprehensive loss, net of tax	-	-	-	-	
<b>Net income</b>	<b>1,161</b>	<b>373,883</b>	<b>-</b>	<b>-</b>	
<b>Balance</b>	<b>155</b>	<b>(15,762 )</b>	<b>-</b>	<b>-</b>	

<b>December 31, 2008</b>				
Distributions to ETE partners	(1,457 )	(469,201 )	-	-
Subsidiary distributions	-	-	-	-
Subsidiary sale of common units	300	96,696	-	-
Tax effect of remedial income allocation from tax amortization of goodwill	-	-	-	-
Non-cash unit-based compensation expense, net of units tendered by employees for tax withholdings	-	551	-	-
Non-cash executive compensation expense	-	25	-	-
Other comprehensive loss, net of tax	-	-	-	-
<b>Net income</b>	<b>1,370</b>	<b>441,103</b>	<b>-</b>	<b>-</b>
<b>Balance, December 31, 2009</b>	<b>\$ 368</b>	<b>\$ 53,412</b>	<b>\$ -</b>	<b>\$ -</b>

The accompanying notes are an integral part of these consolidated financial statements.

## ENERGY TRANSFER EQUITY, L.P. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Dollars in thousands)

	Years Ended December 31,		Four Months Ended December 31,	Year Ended August 31,
	2009	2008	2007	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net income	\$ 697,871	\$ 679,754	\$ 182,809	\$ 551,968
Reconciliation of net income to net cash provided by operating activities:				
Depreciation and amortization	325,024	274,372	75,406	191,383
Amortization of finance costs charged to interest	14,954	10,962	2,441	6,691
Provision for loss on accounts receivable	2,992	8,015	544	4,229
Goodwill impairment	-	11,359	-	-
Non-cash unit-based compensation expense	24,583	24,304	8,137	10,499
Non-cash executive compensation expense	1,250	1,250	442	-
Deferred income taxes	8,422	(8,177 )	37	(6,939 )
(Gains) losses on disposal of assets	1,564	1,303	(14,310 )	6,310
Distribution in excess of (less than) earnings of affiliates, net	3,224	5,621	4,448	(5,161 )
Other non-cash	(4,468 )	3,382	(2,069 )	(760 )
Net change in operating assets and liabilities, net of effects of acquisitions	(351,955 )	131,575	(49,250 )	248,100
Net cash provided by operating activities	<u>723,461</u>	<u>1,143,720</u>	<u>208,635</u>	<u>1,006,320</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Net cash (paid for) received in acquisitions	30,367	(84,783 )	(337,092 )	(90,695 )
Capital expenditures	(748,621 )	(2,054,806 )	(651,228 )	(1,107,127 )
Contributions in aid of construction costs	6,453	50,050	3,493	10,463
(Advances to) repayments from affiliates	(655,500 )	54,534	(32,594 )	(993,866 )
Proceeds from the sale of assets	21,545	19,420	21,478	23,135
Net cash used in investing activities	<u>(1,345,756 )</u>	<u>(2,015,585 )</u>	<u>(995,943 )</u>	<u>(2,158,090 )</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Proceeds from borrowings	3,542,612	6,205,994	1,742,802	6,010,633
Principal payments on debt	(3,020,587 )	(4,890,619 )	(1,062,272 )	(4,628,052 )
Net proceeds from issuance of Common Units	-	-	-	372,434
Subsidiary equity offerings, net of issue costs	936,337	373,059	234,887	-
Distributions to partners	(470,658 )	(435,868 )	(87,174 )	(276,997 )
Debt issuance costs	(7,646 )	(25,272 )	(211 )	(23,279 )
Distributions to noncontrolling interests	(381,471 )	(319,963 )	(61,517 )	(251,823 )
Net cash provided by financing activities	<u>598,587</u>	<u>907,331</u>	<u>766,515</u>	<u>1,202,916</u>
INCREASE (DECREASE) IN	(23,708 )	35,466	(20,793 )	51,146

CASH AND  
CASH  
EQUIVALENTS

CASH AND CASH  
EQUIVALENTS,  
beginning of  
period

92,023

56,557

77,350

26,204

CASH AND CASH  
EQUIVALENTS,  
end of period

\$ 68,315

\$ 92,023

\$ 56,557

\$ 77,350

The accompanying notes are an integral part of these consolidated financial statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Tabular dollar amounts in thousands, except per unit data)

**1. OPERATIONS AND ORGANIZATION:****Financial Statement Presentation**

The consolidated financial statements of Energy Transfer Equity, L.P. and subsidiaries (the "Partnership", "ETE" or the "Parent Company") presented herein for the years ended December 31, 2009 and 2008, the four months ended December 31, 2007 and the year ended August 31, 2007, have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). We consolidate all majority-owned subsidiaries and limited partnerships, which we control as the general partner or owner of the general partner. We present equity and net income attributable to noncontrolling interest for all partially-owned consolidated subsidiaries.[] 60; All significant intercompany transactions and accounts are eliminated in consolidation. Management has evaluated subsequent events through February 24, 2010, the date the financial statements were issued.

The consolidated financial statements of the Partnership presented herein include the results of operations for ETE, ETE's controlled subsidiary Energy Transfer Partners, L.P., a publicly-traded master limited partnership ("ETP"), and ETE's wholly-owned subsidiaries: Energy Transfer Partners GP, L.P. ("ETP GP"), the General Partner of ETP, and Energy Transfer Partners, L.L.C. ("ETP LLC"), the General Partner of ETP GP. The results of operations for ETP include its wholly-owned subsidiaries: La Grange Acquisition, L.P., which conducts business under the assumed name of Energy Transfer Company ("ETC OLP"); Energy Transfer Interstate Holdings, LLC ("ET Interstate"), the parent company of Transwestern Pipeline Company, LLC ("Transwestern") and E TC Midcontinent Express Pipeline, LLC ("ETC MEP"); ETC Fayetteville Express Pipeline, LLC ("ETC FEP"); ETC Tiger Pipeline, LLC ("ETC Tiger"); Heritage Operating, L.P. ("HOLP"); Heritage Holdings, Inc. ("HHI"); and Titan Energy Partners, L.P. ("Titan"). The operations of ET Interstate are included since the date of the Transwestern acquisition on December 1, 2006. ETC FEP and ETC Tiger are included since their inception dates on August 27, 2008 and June 20, 2008, respectively. The operations of all other subsidiaries listed above are reflected for all periods presented.

We also own varying undivided interests in certain pipelines. Ownership of these pipelines has been structured as an ownership of an undivided interest in assets, not as an ownership interest in a partnership, limited liability company, joint venture or other forms of entities. Each owner controls marketing and invoices separately, and each owner is responsible for any loss, damage or injury that may occur to their own customers. As a result, we apply proportionate consolidation for our interests in these entities.

In November 2007, we changed our fiscal year end to the calendar year. Thus, a new fiscal year began on January 1, 2008. The Partnership completed a four-month transition period that began September 1, 2007 and ended December 31, 2007 and filed a transition report on Form 10-Q for that period in February 2008. The financial statements contained herein cover the years ended December 31, 2009 and 2008, the four months ended December 31, 2007, and the year ended August 31, 2007.

We did not recast the financial data for the prior fiscal periods because the financial reporting processes in place at that time included certain procedures that were completed only on a fiscal quarterly basis. Consequently, to recast those periods would have been impractical and would not have been cost-justified. Such comparability is impacted primarily by weather, fluctuations in commodity prices, volumes of natural gas sold and transported, our hedging strategies and the use of financial instruments, trading activities, basis differences between market hubs and interest rates. We believe that the trends indicated by comparison of the results for the years ended December 31, 2009 and 2008 are substantially similar to what is reflected in the information for the year ended August 31, 2007.

Certain prior period amounts have been reclassified to conform to the 2009 presentation. Other than the reclassifications related to the adoption of Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements – An Amendment of ARB No. 51*, which is now incorporated into ASC 810-10-65 (see Note 2), these reclassifications had no impact on net income or total equity.

## Business Operations

The Parent Company currently has no separate operating activities apart from those conducted by the Operating Companies. The Parent Company's principal sources of cash flow are its direct and indirect investments in the Limited Partner and General Partner interests in ETP.

The Parent Company's primary cash requirements are for general and administrative expenses, debt service requirements and distributions to its partners. The Parent Company-only assets and liabilities of ETE are not available to satisfy the debts and other obligations of ETP and its consolidated subsidiaries. In order to fully understand the financial condition of the Partnership on a stand-alone basis, see Note 17 for stand-alone financial information apart from that of the consolidated partnership information included herein.

In order to simplify the obligations of the Partnership under the laws of several jurisdictions in which we conduct business, our activities are primarily conducted through our operating subsidiaries (collectively the "Operating Companies") as follows:

- ETC OLP, a Texas limited partnership engaged in midstream and intrastate transportation and storage natural gas operations. ETC OLP owns and operates, through its wholly and majority-owned subsidiaries, natural gas gathering systems, intrastate natural gas pipeline systems and gas processing plants and is engaged in the business of purchasing, gathering, transporting, processing, and marketing natural gas and NGLs in the states of Texas, Louisiana, Arizona, New Mexico, Utah and Colorado. Our intrastate transportation and storage operations primarily focus on transporting natural gas through our Oasis pipeline, ET Fuel System, East Texas pipeline and HPL System. Our midstream operations focus on the gathering, compression, treating, conditioning and processing of natural gas, primarily on or through our Southeast Texas System and North Texas System, and marketing activities. We also own and operate natural gas gathering pipelines and conditioning facilities in the Piceance-Uinta Basin of Colorado and Utah.
- ET Interstate, the parent company of Transwestern and ETC MEP, both of which are Delaware limited liability companies engaged in interstate transportation of natural gas. Interstate revenues consist primarily of fees earned from natural gas transportation services and operational gas sales.
- ETC Fayetteville Express Pipeline, LLC, a Delaware limited liability company formed to engage in interstate transportation of natural gas.
- ETC Tiger Pipeline, LLC, a Delaware limited liability company formed to engage in interstate transportation of natural gas.
- HOLP, a Delaware limited partnership primarily engaged in retail propane operations. Our retail propane operations focus on sales of propane and propane-related products and services. The retail propane customer base includes residential, commercial, industrial and agricultural customers.
- Titan, a Delaware limited partnership also engaged in retail propane operations.

The Partnership, the Operating Companies and their subsidiaries are collectively referred to in this report as "we", "us", "ETE", "ETP", "Energy Transfer" or the "Partnership." References to "the Parent Company" shall mean Energy Transfer Equity, L.P. on a stand-alone basis.

ETC OLP owns an interest in and operates approximately 14,800 miles of in service natural gas gathering and intrastate transportation pipelines, three natural gas processing plants, eleven natural gas treating facilities, eleven natural gas conditioning facilities and three natural gas storage facilities located in Texas.

Revenue in our intrastate transportation and storage operations is typically generated from fees charged to customers to reserve firm capacity on or move gas through the pipeline. A monetary fee and/or fuel retention are also components of the fee structure. Excess fuel retained after consumption is typically valued at the first of the month published market prices and strategically sold when market prices are high. The intrastate transportation and storage operations also consist of the HPL System, which generates revenue primarily from the sale of natural gas to electric utilities, independent power plants, local distribution companies, industrial end-users and other marketing companies. The HPL System also transports natural gas for a variety of third party customers. Our intra state transportation and storage segment also generates revenues from fees charged for storing customers' working natural gas in our storage facilities. In addition, the use of the Bammel storage facility allows us to purchase physical natural gas and then sell financial contracts at a price sufficient to cover its carrying costs and provide a gross profit margin.

Our interstate transportation operations principally focus on natural gas transportation of Transwestern, which owns and operates approximately 2,700 miles of interstate natural gas pipeline, with an additional 180 miles under construction, extending from Texas through the San Juan Basin to the California border. In addition, we have interests in joint ventures that have 500 miles of interstate natural gas pipeline and 185 miles under construction. Transwestern is a major natural gas transporter to the California border and delivers natural gas from the east end of its system to Texas intrastate and Midwest markets. The Transwestern pipeline interconnects with our existing intrastate pipelines in West Texas. The revenues of this segment consist primarily of fees earned from natural gas transportation services and operational gas sales.

Revenue in our midstream operations is primarily generated by the volumes of natural gas gathered, compressed, treated, processed, purchased and sold through our pipelines (excluding the interstate transportation pipelines) and gathering systems as well as the level of natural gas and NGL prices.

Our retail propane segment sells propane and propane-related products and services. The HOLF and Titan customer base includes residential, commercial, industrial and agricultural customers.

2. **ESTIMATES, SIGNIFICANT ACCOUNTING POLICIES AND BALANCE SHEET DETAIL:**

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the accrual for and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The natural gas industry conducts its business by processing actual transactions at the end of the month following the month of delivery. Consequently, the most current month's financial results for the midstream and intrastate transportation and storage segments are estimated using volume estimates and market prices. Any differences between estimated results and actual results are recognized in the following month's financial statements. Management believes that the operating results estimated for the year ended December 31, 2009 represent the actual results in all material respects.

Some of the other significant estimates made by management include, but are not limited to, the timing of certain forecasted transactions that are hedged, allowances for doubtful accounts, the fair value of derivative instruments, useful lives for depreciation and amortization, purchase accounting allocations and subsequent realizability of intangible assets, fair value measurements used in the goodwill impairment test, market value of inventory, estimates related to our unit-based compensation plans, deferred taxes, assets and liabilities resulting from the regulated ratemaking process, contingency reserves and environmental reserves. Actual results could differ from those estimates.

**Revenue Recognition**

Revenues for sales of natural gas, NGLs including propane, and propane appliances, parts, and fittings are recognized at the later of the time of delivery of the product to the customer or the time of sale or installation. Revenues from service labor, transportation, treating, compression and gas processing, are recognized upon completion of the service. Transportation capacity payments are recognized when earned in the period the capacity is made available. Tank rent is recognized ratably over the period it is earned.

Our intrastate transportation and storage and interstate transportation segments' results are determined primarily by the amount of capacity our customers reserve as well as the actual volume of natural gas that flows through the transportation pipelines. Under transportation contracts, our customers are charged (i) a demand fee, which is a fixed fee for the reservation of an agreed amount of capacity on the transportation pipeline for a specified period of time and which obligates the customer to pay even if the customer does not transport natural gas on the respective pipeline, (ii) a transportation fee, which is based on the actual throughput of natural gas by the customer, (iii) a fuel retention based on a percentage of gas transported on the pipeline, or (iv) a combination of the three, generally payable monthly.



Our intrastate transportation and storage segment also generates revenues and margin from the sale of natural gas to electric utilities, independent power plants, local distribution companies, industrial end-users and other marketing companies on the HPL System. Generally, we purchase natural gas from the market, including purchases from the midstream segment's marketing operations, and from producers at the wellhead.

In addition, our intrastate transportation and storage segment generates revenues and margin from fees charged for storing customers' working natural gas in our storage facilities. We also engage in natural gas storage transactions in which we seek to find and profit from pricing differences that occur over time utilizing the Bammel storage reservoir. We purchase physical natural gas and then sell financial contracts at a price sufficient to cover our carrying costs and provide for a gross profit margin. We expect margins from natural gas storage transactions to be higher during the periods from November to March of each year and lower during the period from April through October of each year due to the increased demand for natural gas during colder weather. However, we cannot assure that management's expectations will be fully realized in the future and in what time period, due to various factors including weather, availability of natural gas in regions in which we operate, competitive factors in the energy industry, and other issues.

Results from the midstream segment are determined primarily by the volumes of natural gas gathered, compressed, treated, processed, purchased and sold through our pipeline and gathering systems and the level of natural gas and NGL prices. We generate midstream revenues and gross margins principally under fee-based or other arrangements in which we receive a fee for natural gas gathering, compressing, treating or processing services. The revenue earned from these arrangements is directly related to the volume of natural gas that flows through our systems and is not directly dependent on commodity prices.

We also utilize other types of arrangements in our midstream segment, including (i) discount-to-index price arrangements, which involve purchases of natural gas at either (1) a percentage discount to a specified index price, (2) a specified index price less a fixed amount or (3) a percentage discount to a specified index price less an additional fixed amount, (ii) percentage-of-proceeds arrangements under which we gather and process natural gas on behalf of producers, sell the resulting residue gas and NGL volumes at market prices and remit to producers an agreed upon percentage of the proceeds based on an index price, and (iii) keep-whole arrangements where we gather natural gas from the producer, process the natural gas and sell the resulting NGLs to third parties at market prices. In many cases, we provide services under contracts that contain a combination of more than one of the arrangements described above. The terms of our contracts vary based on gas quality conditions, the competitive environment at the time the contracts are signed and customer requirements. Our contract mix may change as a result of changes in producer preferences, expansion in regions where some types of contracts are more common and other market factors.

We conduct marketing activities in which we market the natural gas that flows through our assets, referred to as on-system gas. We also attract other customers by marketing volumes of natural gas that do not move through our assets, referred to as off-system gas. For both on-system and off-system gas, we purchase natural gas from natural gas producers and other supply points and sell that natural gas to utilities, industrial consumers, other marketers and pipeline companies, thereby generating gross margins based upon the difference between the purchase and resale prices.

We have a risk management policy that provides for oversight over our marketing activities. These activities are monitored independently by our risk management function and must take place within predefined limits and authorizations. As a result of our use of derivative financial instruments that may not qualify for hedge accounting, the degree of earnings volatility that can occur may be significant, favorably or unfavorably, from period to period. We attempt to manage this volatility through the use of daily position and profit and loss reports provided to senior management and predefined limits and authorizations set forth in our risk management policy.

#### **Regulatory Accounting - Regulatory Assets and Liabilities**

Transwestern, part of our interstate transportation segment, is subject to regulation by certain state and federal authorities and has accounting policies that conform to Statement of Financial Accounting Standards No. 71 (As Amended), *Accounting for the Effects of Certain Types of Regulation*, now incorporated into ASC 980, which is in accordance with the accounting requirements and ratemaking practices of the regulatory authorities. The application of these accounting policies allows us to defer expenses and revenues on the balance sheet as regulatory assets and liabilities when it is probable that those expenses and revenues will be allowed in the ratemaking process in a period different from the period in which they would have been reflected in the consolidated statement of operations by an unregulated company. These deferred assets and liabilities will be reported in results of operations in the period in which the same amounts are included in rates and recovered from or refunded to customers. Management's assessment of the probability of recovery or pass through of regulatory assets and liabilities will require judgment and interpretation of laws and regulatory commission orders. If, for any reason, we cease to meet the criteria for application of regulatory accounting treatment for all or part of our operations, the regulatory assets and liabilities related to those portions ceasing to meet such criteria would be eliminated from the consolidated balance sheet for the period in which the discontinuance of regulatory accounting treatment occurs.

**Cash, Cash Equivalents and Supplemental Cash Flow Information**

Cash and cash equivalents include all cash on hand, demand deposits, and investments with original maturities of three months or less. We consider cash equivalents to include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

We place our cash deposits and temporary cash investments with high credit quality financial institutions. At times, our cash and cash equivalents may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation insurance limit.

As a result of our acquisition of a natural gas compression equipment business in exchange for ETP Common Units, cash acquired in connection with acquisitions during 2009 exceeded the cash we paid by \$30.4 million.

The net change in operating assets and liabilities (net of acquisitions) included in cash flows from operating activities is comprised as follows:

	Years Ended December 31,		Four Months Ended	Year Ended
	2009	2008	December 31, 2007	August 31, 2007
Accounts receivable	\$ 28,431	\$ 220,635	\$ (169,263)	\$ 54,347
Accounts receivable from related companies	(26,321)	3,234	(12,091)	(5,376)
Inventories	(101,592)	96,145	(168,430)	196,173
Exchanges receivable	22,074	(7,888)	(4,216)	(3,406)
Other current assets	8,195	(57,150)	(4,459)	53,591
Intangibles and other assets	(4,786)	(40,753)	605	(1,817)
Accounts payable	(16,024)	(296,185)	195,574	(92,296)
Accounts payable to related companies	4,184	(13,538)	28,876	18,560
Exchanges payable	(35,433)	14,254	6,117	3,000
Accrued and other current liabilities	(124,147)	32,474	1,026	(26,794)
Interest payable	22,220	36,501	41,640	18,181
Other long-term liabilities	1,401	1,741	(680)	1,460
Price risk management liabilities, net	(130,157)	142,105	36,051	32,477
Net change in assets and liabilities, net of effect of acquisitions	\$ (351,955)	\$ 131,575	\$ (49,250)	\$ 248,100

Non-cash investing and financing activities and supplemental cash flow information are as follows:

	Years Ended December 31,		Four Months Ended	Year Ended
	2009	2008	December 31,	August 31,
			2007	2007
<b>NON-CASH INVESTING ACTIVITIES:</b>				
Transfer of investment in affiliate in purchase of Transwestern (Note 3)	\$ -	\$ -	\$ -	\$ 956,348
Investment in Calpine Corporation received in exchange for accounts receivable	\$ -	\$ 10,816	\$ -	\$ -
Capital expenditures accrued	\$ 46,134	\$ 153,230	\$ 87,622	\$ 43,498
Gain from subsidiary issuance of common units (recorded in partners' capital)	\$ 96,996	\$ 48,782	\$ 48,932	\$ -
<b>NON-CASH FINANCING ACTIVITIES:</b>				
Long-term debt assumed and non-compete agreement notes payable issued in acquisitions	\$ 26,237	\$ 5,077	\$ 3,896	\$ 533,625
Subsidiary issuance of Common Units in connection with certain acquisitions	\$ 63,339	\$ 2,228	\$ 1,400	\$ -
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>				
Cash paid for interest, net of interest capitalized	\$ 440,492	\$ 330,816	\$ 79,084	\$ 283,854
Cash paid for income taxes	\$ 15,447	\$ 5,191	\$ 9,135	\$ 8,962

#### Marketable Securities

Marketable securities are classified as available-for-sale securities and are reflected as current assets on the consolidated balance sheets at fair value.

During the year ended December 31, 2008, we determined there was an other-than-temporary decline in the market value of one of our available-for-sale securities, and reclassified into earnings a loss of \$1.4 million, which is recorded in other expense. Unrealized holding gains (losses), net of tax, of \$7.4 million, \$(6.4) million, \$(0.1) million and \$0.3 million, were recorded through accumulated other comprehensive income ("AOCI"), based on the market value of the securities, for the years ended December 31, 2009 and 2008, the four months ended December 31, 2007, and the fiscal year ended August 31, 2007, respectively. The change in value of our available-for-sale securities for the year ended December 31, 2009 includes realized losses of \$ 3.5 million reclassified from AOCI during the period as discussed in "Accounts Receivable" below.

#### Accounts Receivable

Our midstream and intrastate transportation and storage operations deal with counterparties that are typically either investment grade or are otherwise secured with a letter of credit or other form of security (corporate guaranty prepayment or master setoff agreement). Management reviews midstream and intrastate transportation and storage accounts receivable balances bi-weekly. Credit limits are assigned and monitored for all counterparties of the midstream and intrastate transportation and storage operations. Bad debt expense related to these receivables is recognized at the time an account is deemed uncollectible. Management believes that the occurrence of bad debt in our midstream and intrastate transportation and storage segments was not significant at December 31, 2009 or 2008; therefore, an allowance for doubtful accounts for the midstream and intrastate transportation and storage segments was not deemed necessary.

ETP's interstate transportation operations have a concentration of customers in the electric and gas utility industries as well as natural gas producers. This concentration of customers may impact our overall exposure to credit risk, either positively or negatively, in that the customers may be similarly affected by changes in economic or other conditions. From time to time, specifically identified customers having perceived credit risk are required to provide prepayments or other forms of collateral. Transwestern's management believes that the portfolio of receivables, which includes regulated electric utilities, regulated local distribution companies and municipalities, is subject to minimal credit risk. Transwestern establishes an allowance for doubtful accounts on trade receivables based on the expected ultimate recovery of these receivables. Transwestern considers many factors including historical customer collection experience, general and specific economic trends and known specific issues related to individual customers, sectors and transactions that might impact collectability.

ETP's propane operations grant credit to their customers for the purchase of propane and propane-related products. Included in accounts receivable are trade accounts receivable arising from HOLP's retail and wholesale propane and Titan's retail propane operations and receivables arising from liquids marketing activities. Accounts receivable for retail and wholesale propane operations are recorded as amounts are billed to customers less an allowance for doubtful accounts. The allowance for doubtful accounts for the propane segment is based on management's assessment of the realizability of customer accounts, based on the overall creditworthiness of our customers and any specific disputes.

We enter into netting arrangements with counterparties of derivative contracts to mitigate credit risk. Transactions are confirmed with the counterparty and the net amount is settled when due. Amounts outstanding under these netting arrangements are presented on a net basis in the consolidated balance sheets.

We exchanged a portion of our outstanding accounts receivable from Calpine Energy Services, L.P. for Calpine Corporation ("Calpine") common stock valued at \$10.8 million during the first quarter of 2008 pursuant to a settlement reached with Calpine related to their bankruptcy reorganization. The stock is included in marketable securities on the consolidated balance sheet at a fair value of \$4.8 million as of December 31, 2008. In 2009, we sold the stock for \$7.3 million and recorded a realized loss of \$3.6 million, of which \$3.5 million was reclassified from AOCI to other income in the consolidated statement of operations.

Accounts receivable consisted of the following:

	December 31, 2009	December 31, 2008
Natural gas operations	\$ 429,849	\$ 444,816
Propane	143,011	155,191
Less – allowance for doubtful accounts	(6,338)	(8,750)
Total, net	<u>\$ 566,522</u>	<u>\$ 591,257</u>

The activity in the allowance for doubtful accounts consisted of the following:

	Years Ended December 31,		Four Months Ended December 31,	Year Ended August 31,
	2009	2008	2007	2007
Balance, beginning of the period	\$ 8,750	\$ 5,698	\$ 5,601	\$ 4,000
Accounts receivable written off, net of recoveries	(5,404)	(4,963)	(447)	(2,628)
Provision for loss on accounts receivable	2,992	8,015	544	4,229
Balance, end of period	<u>\$ 6,338</u>	<u>\$ 8,750</u>	<u>\$ 5,698</u>	<u>\$ 5,601</u>

#### Inventories

Inventories consist principally of natural gas held in storage valued at the lower of cost or market utilizing the weighted-average cost method. Propane inventories are also valued at the lower of cost or market utilizing the weighted-average cost of propane delivered to the customer service locations, including storage fees and inbound freight costs. The cost of appliances, parts and fittings is determined by the first-in, first-out method.

Inventories consisted of the following:

	December 31, 2009	December 31, 2008
Natural gas and NGLs, excluding propane	\$ 157,103	\$ 184,727
Propane	66,686	63,967
Appliances, parts and fittings and other	166,165	23,654
Total inventories	<u>\$ 389,954</u>	<u>\$ 272,348</u>

We utilize commodity derivatives to manage price volatility associated with our natural gas inventory. In April 2009, we began designating commodity derivatives as fair value hedges for accounting purposes. Subsequent to the designation of those fair value hedging relationships, changes in fair value of the designated hedged inventory have been recorded in inventory on our consolidated balance sheet and have been recorded in cost of products sold in our consolidated statements of operations.

During 2009, we recorded lower of cost or market adjustments of \$54.0 million, which were offset by fair value adjustments related to our application of fair value hedging of \$66.1 million.

During 2008, we recorded lower-of-cost-or-market adjustments of \$69.5 million for natural gas inventory and \$4.4 million for propane inventory to reflect market values, which were less than the weighted-average cost. The natural gas inventory adjustment in 2008 was partially offset in net income by the recognition of unrealized gains on related cash flow hedges in the amount of \$21.7 million from AOCI.

#### Exchanges

The midstream and intrastate transportation and storage segments' exchanges consist of natural gas and NGL delivery imbalances with others. These amounts, which are valued at market prices, turn over monthly and are recorded as exchanges receivable or exchanges payable on our consolidated balance sheets. Management believes market value approximates cost.

The interstate transportation segment's natural gas imbalances occur as a result of differences in volumes of gas received and delivered. Transwestern records natural gas imbalances for in-kind receivables and payables at the dollar weighted composite average of all current month gas transactions and dollar valued imbalances are recorded at contractual prices.

#### Other Current Assets

Other current assets consisted of the following:

	December 31, 2009	December 31, 2008
Deposits paid to vendors	\$ 79,694	\$ 78,237
Prepaid and other	70,018	75,441
Total other current assets	<u>\$ 149,712</u>	<u>\$ 153,678</u>

#### Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful or Federal Energy Regulatory Commission ("FERC") mandated lives of the assets. Expenditures for maintenance and repairs that do not add capacity or extend the useful life are expensed as incurred. Expenditures to refurbish assets that either extend the useful lives of the asset or prevent environmental contamination are capitalized and depreciated over the remaining useful life of the asset. Additionally, we capitalize certain costs directly related to the installation of company-owned propane tanks and construction of assets including internal labor costs, interest and engineering costs. Upon disposition or retirement of pipeline components or natural gas plant components, any gain or loss is recorded to accumulated depreciation. When entire pipeline systems, gas plants or other property and equipment are retired or sold, any gain or loss is included in our results of operations.

We review property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If such a review should indicate that the carrying amount of long-lived assets is not recoverable, we reduce the carrying amount of such assets to fair value. No impairment of long-lived assets was required during the periods presented.

Capitalized interest is included for pipeline construction projects, except for interstate projects for which an allowance for funds used during construction ("AFUDC") is accrued. Interest is capitalized based on the current borrowing rate of ETP's revolving credit facility when the related costs are incurred. AFUDC is calculated under guidelines prescribed by the FERC and capitalized as part of the cost of utility plant for interstate projects. It represents the cost of servicing the capital invested in construction work-in-process. AFUDC is segregated into two component parts – borrowed funds and equity funds.

Components and useful lives of property, plant and equipment were as follows:

	December 31, 2009	December 31, 2008
Land and improvements	\$ 87,388	\$ 74,895
Buildings and improvements (10 to 40 years)	160,912	133,951
Pipelines and equipment (10 to 83 years)	7,388,889	5,592,057
Natural gas storage (40 years)	100,746	92,457
Bulk storage, equipment and facilities (3 to 83 years)	591,908	533,621
Tanks and other equipment (10 to 30 years)	602,915	578,118
Vehicles (3 to 10 years)	176,946	156,486
Right of way (20 to 83 years)	516,709	366,205
Furniture and fixtures (3 to 10 years)	32,810	28,075
Linepack	53,404	48,108
Pad gas	47,363	53,583
Other (5 to 10 years)	117,896	97,975
	<u>9,877,886</u>	<u>7,755,531</u>
Less – Accumulated depreciation	(1,052,566)	(762,014)
	<u>8,825,320</u>	<u>6,993,517</u>
Plus – Construction work-in-process	239,155	1,709,017
Property, plant and equipment, net	<u>\$ 9,064,475</u>	<u>\$ 8,702,534</u>

We recognized the following amounts of depreciation expense, capitalized interest, and AFUDC for the periods presented:

	Years Ended December 31,		Four Months Ended	Year Ended
	2009	2008	December 31, 2007	August 31, 2007
Depreciation expense	\$ 304,129	\$ 256,910	\$ 68,642	\$ 175,851
Capitalized interest, excluding AFUDC	\$ 11,791	\$ 21,595	\$ 12,657	\$ 22,979
AFUDC (both debt and equity components)	\$ 10,237	\$ 50,074	\$ 5,095	\$ 3,600

#### Advances to and Investment in Affiliates

We own interests in a number of related businesses that are accounted for using the equity method. In general, we use the equity method of accounting for an investment in which we have a 20% to 50% ownership and exercise significant influence over, but do not control the investee's operating and financial policies.

We account for our investments in Midcontinent Express Pipeline LLC and Fayetteville Express Pipeline LLC using the equity method. See Note 4 for a discussion of these joint ventures.

## Goodwill

Goodwill is tested for impairment annually or more frequently if circumstances indicate that goodwill might be impaired. Our annual impairment test is performed as of December 31 for subsidiaries in our interstate segment and as of August 31 for all others. At December 31, 2008, we recorded an impairment of the entire goodwill balance of \$11.4 million related to the Canyon Gathering System. No other goodwill impairments were recorded for the periods presented in these consolidated financial statements. Changes in the carrying amount of goodwill were as follows:

	Intrastate Transportation and Storage	Interstate Transportation	Midstream	Retail Propane	All Other	Total
<b>Balance as of December 31, 2007</b>	\$ 10,327	\$ 98,613	\$ 24,368	\$ 594,801	\$ 29,589	\$ 757,698
Purchase accounting adjustments	-	-	-	2,457	-	2,457
Goodwill acquired	-	-	9,141	15,346	-	24,487
Goodwill impairment	-	-	(11,359)	-	-	(11,359)
<b>Balance as of December 31, 2008</b>	10,327	98,613	22,150	612,604	29,589	773,283
Purchase accounting adjustments	-	-	-	(8,662)	-	(8,662)
Goodwill acquired	-	-	-	33	10,440	10,473
<b>Balance as of December 31, 2009</b>	\$ 10,327	\$ 98,613	\$ 22,150	\$ 603,975	\$ 40,029	\$ 775,094

Goodwill is recorded at the acquisition date based on a preliminary purchase price allocation and generally may be adjusted when the purchase price allocation is finalized.

## Intangibles and Other Assets

Intangibles and other assets are stated at cost, net of amortization computed on the straight-line method. We eliminate from our balance sheet the gross carrying amount and the related accumulated amortization for any fully amortized intangibles in the year they are fully amortized. Components and useful lives of intangibles and other assets were as follows:

	December 31, 2009		December 31, 2008	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
<b>Amortizable intangible assets:</b>				
Noncompete agreements (3 to 15 years)	\$ 24,139	\$ (12,415)	\$ 40,301	\$ (24,374)
Customer lists (3 to 30 years)	153,843	(53,123)	144,337	(39,730)
Contract rights (6 to 15 years)	23,015	(5,638)	23,015	(3,744)
Patents (9 years)	750	(35)	-	-
Other (10 years)	478	(397)	2,677	(2,244)
Total amortizable intangible assets	202,225	(71,608)	210,330	(70,092)
<b>Non-amortizable intangible assets:</b>				
Trademarks	75,825	-	75,667	-
Total intangible assets	278,050	(71,608)	285,997	(70,092)
<b>Other assets:</b>				
Financing costs (3 to 30 years)	84,099	(34,702)	74,611	(23,508)
Regulatory assets	101,879	(9,501)	98,560	(5,941)
Other assets	41,466	-	43,353	-
Total intangibles and other assets	\$ 505,494	\$ (115,811)	\$ 502,521	\$ (99,541)

Aggregate amortization expense of intangible and other assets are as follows:

	Years Ended December 31,		Four Months Ended	Year Ended
	2009	2008	December 31,	August 31,
			2007	2007
Reported in depreciation and amortization	\$ 20,895	\$ 17,462	\$ 6,764	\$ 15,532
Reported in interest expense	\$ 11,195	\$ 9,015	\$ 2,716	\$ 7,132

Estimated aggregate amortization expense for the next five years is as follows:

Years Ending December 31:	
2010	\$ 29,962
2011	27,553
2012	22,117
2013	16,310
2014	15,343

We review amortizable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If such a review should indicate that the carrying amount of amortizable intangible assets is not recoverable, we reduce the carrying amount of such assets to fair value. We review non-amortizable intangible assets for impairment annually, or more frequently if circumstances dictate. Our annual impairment test is performed as of December 31 for our interstate segment and as of August 31 for all others. No impairment of intangible assets was required during the periods presented in these consolidated financial statements.

**Asset Retirement Obligation**

We record the fair value of an asset retirement obligation as a liability in the period a legal obligation for the retirement of tangible long-lived assets is incurred, typically at the time the assets are placed into service. A corresponding asset is also recorded and depreciated over the life of the asset. After the initial measurement, we also recognize changes in the amount of the liability resulting from the passage of time and revisions to either the timing or amount of estimated cash flows.

We have determined that we are obligated by contractual requirements to remove facilities or perform other remediation upon retirement of certain assets. Determination of the amounts to be recognized is based upon numerous estimates and assumptions, including expected settlement dates, future retirement costs, future inflation rates and the credit-adjusted risk-free interest rates. However, management was not able to reasonably measure the fair value of the asset retirement obligations as of December 31, 2009 or 2008 because the settlement dates were indeterminable. An asset retirement obligation will be recorded in the periods management can reasonably determine the settlement dates.



**Accrued and Other Current Liabilities**

Accrued and other current liabilities consisted of the following:

	December 31, 2009	December 31, 2008
Customer advances and deposits	\$ 88,430	\$ 106,679
Accrued capital expenditures	46,134	153,230
Accrued wages and benefits	25,577	65,754
Taxes other than income taxes	23,294	20,772
Income taxes payable	3,154	14,298
Deferred income taxes	-	589
Other	42,484	73,384
Total accrued and other current liabilities	<u>\$ 229,073</u>	<u>\$ 434,706</u>

**Customer Advances and Deposits**

Deposits or advances are received from our customers as prepayments for natural gas deliveries in the following month and from our propane customers as security or prepayments for future propane deliveries. Prepayments and security deposits may also be required when customers exceed their credit limits or do not qualify for open credit.

**Fair Value of Financial Instruments**

The carrying amounts of accounts receivable and accounts payable approximate their fair value. Price risk management assets and liabilities are recorded at fair value. Based on the estimated borrowing rates currently available to us and our subsidiaries for long-term loans with similar terms and average maturities, the aggregate fair value and carrying amount of long-term debt at December 31, 2009 was \$8.25 billion and \$7.79 billion, respectively. At December 31, 2008, the aggregate fair value and carrying amount of long-term debt was \$6.41 billion and \$7.24 billion, respectively.

We have marketable securities, commodity derivatives and interest rate derivatives that are accounted for as assets and liabilities at fair value in our consolidated balance sheets. We determine the fair value of our assets and liabilities subject to fair value measurement by using the highest possible "level" of inputs. Level 1 inputs are observable quotes in an active market for identical assets and liabilities. We consider the valuation of marketable securities and commodity derivatives transacted through a clearing broker with a published price from the appropriate exchange as a Level 1 valuation. Level 2 inputs are inputs observable for similar assets and liabilities. We consider over-the-counter ("OTC") commodity derivatives entered into directly with third parties as a Level 2 valuation since the values of these derivatives are quoted on an exchange for similar transactions. We consider the valuation of our interest rate derivatives as Level 2 since we use a LIBOR curve based on quotes from an active exchange of Eurodollar futures for the same period as the future interest swap settlements and discount the future cash flows accordingly, including the effects of our credit risk. We currently do not have any fair value measurements that require the use of significant unobservable inputs and therefore do not have any assets or liabilities considered as Level 3 valuations.

The following table summarizes the fair value of our financial assets and liabilities as of December 31, 2009 and 2008 based on inputs used to derive their fair values:

Description	Fair Value Measurements at at December 31, 2009 Using			Fair Value Measurements at December 31, 2008 Using		
	Fair Value Total	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Fair Value Total	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)
<b>Assets:</b>						
Marketable securities	\$ 6,055	\$ 6,055	\$ -	\$ 5,915	\$ 5,915	\$ -
Inventories	156,156	156,156	-	-	-	-
Commodity derivatives	32,479	20,090	12,389	111,513	106,090	5,423
<b>Liabilities:</b>						
Commodity derivatives	(8,016)	(7,574)	(442)	(43,336)	-	(43,336)
Interest rate swap derivatives	(138,036)	-	(138,036)	(220,806)	-	(220,806)
	<u>\$ 48,638</u>	<u>\$ 174,727</u>	<u>\$ (126,089)</u>	<u>\$ (146,714)</u>	<u>\$ 112,005</u>	<u>\$ (258,719)</u>

#### Contributions in Aid of Construction Costs

On certain of our capital projects, third parties are obligated to reimburse us for all or a portion of project expenditures. The majority of such arrangements are associated with pipeline construction and production well tie-ins. Contributions in aid of construction costs ("CIAC") are netted against our project costs as they are received, and any CIAC which exceeds our total project costs, is recognized as other income in the period in which it is realized. In March 2008, we received a reimbursement related to an extension on our Southeast Bossier pipeline resulting in an excess over total project costs of \$7.1 million, which is recorded in other income on our consolidated statement of operations for the year ended December 31, 2008.

Contributions in aid of construction costs were as follows:

	Years Ended December 31,		Four Months Ended	Year Ended
	2009	2008	December 31, 2007	August 31, 2007
Received and netted against project costs	\$ 6,453	\$ 50,050	\$ 3,493	\$ 10,463
Recorded in other income	(305)	8,352	216	403
<b>Total</b>	<u>\$ 6,148</u>	<u>\$ 58,402</u>	<u>\$ 3,709</u>	<u>\$ 10,866</u>

#### Shipping and Handling Costs

Shipping and handling costs related to fuel sold are included in cost of products sold. Shipping and handling costs related to fuel consumed for compression and treating are included in operating expenses and totaled \$55.9 million and \$112.0 million for the years ended December 31, 2009 and 2008, respectively, \$30.7 million for the four months ended December 31, 2007, and \$58.6 million for the year ended August 31, 2007. We do not separately charge propane shipping and handling costs to customers.

#### Costs and Expenses

Costs of products sold include actual cost of fuel sold, adjusted for the effects of our hedging and other commodity derivative activities, storage fees and inbound freight on propane, and the cost of appliances, parts and fittings. Operating expenses include all costs incurred to provide products to customers, including compensation for operations personnel, insurance costs, vehicle maintenance, advertising costs, shipping and handling costs related to propane, purchasing costs and plant operations. Selling, general and administrative expenses include all partnership related expenses and compensation for executive, partnership, and administrative personnel.

We record the collection of taxes to be remitted to governmental authorities on a net basis.

#### **Issuances of Subsidiary Units**

We record changes in our ownership interest of our subsidiaries as equity transactions, with no gain or loss recognized in consolidated net income or comprehensive income. For example, upon ETP's issuance of ETP Common Units in a public offering, we record any difference between the amount of consideration received or paid and the amount by which the noncontrolling interest is adjusted as a change in partners' capital.

#### **Income Taxes**

ETE is a limited partnership. As a result, our earnings or losses, to the extent not included in a taxable subsidiary, for federal and state income tax purposes are included in the tax returns of the individual partners. Net earnings for financial statement purposes may differ significantly from taxable income reportable to Unitholders as a result of differences between the tax basis and financial reporting basis of assets and liabilities, in addition to the allocation requirements related to taxable income under the Second Amended and Restated Agreement of Limited Partnership (the "Partnership Agreement").

Our partnership will be considered to have terminated for federal income tax purposes if transfers of units within a 12-month period constitute the sale or exchange of 50% or more of our capital and profits interests. In order to determine whether a sale or exchange of 50% or more of capital and profits interests has occurred, we review information available to us regarding transactions involving transfers of our units, including reported transfers of units by our affiliates and sales of units pursuant to trading activity in the public markets; however, the information we are able to obtain is generally not sufficient to make a definitive determination, on a current basis, of whether there have been sales and exchanges of 50% or more of our capital and profits interests within the prior 12-month period, and we may not have all of the information necessary to make this determination until several months following the time of the transfers that would cause the 50% threshold to be exceeded.

We exceeded the 50% threshold on May 7, 2007, and, as a result, our partnership terminated for federal tax income purposes on that date. Our termination also caused ETP to terminate for federal income tax purposes on that date. These terminations did not affect our classification or the classification of ETP as a partnership for federal income tax purposes or otherwise affect the nature or extent of our "qualifying income" or the "qualifying income" of ETP for federal income tax purposes. These terminations required both us and ETP to close our taxable years and to make new elections as to various tax matters. In addition, ETP was required to reset the depreciation schedule for its depreciable assets for federal income tax purposes. The resetting of ETP's depreciation schedule resulted in a deferral of the depreciation deductions allowable in computing the taxable income allocated to the Unitholders of ETP and, consequently, to our Unitholders. However, elections ETP and ETE made with respect to the amortization of certain intangible assets had the effect of reducing the amount of taxable income that would otherwise be allocated to ETE Unitholders.

As a result of the tax termination discussed above, we elected new depreciation and amortization policies for income tax purposes, which include the amortization of goodwill. As a result of the income tax regulations related to remedial income allocations, ETP's subsidiary, Heritage Holdings, Inc. ("HHI"), which owns ETP's Class E units, receives a special allocation of taxable income, for income tax purposes only, essentially equal to the amount of goodwill amortization deductions allocated to purchasers of ETP Common Units. The amount of such "goodwill" accumulated as of the date of ETP's acquisition of HHI (approximately \$158.0 million) is now being amortized over 15 years beginning on May 7, 2007, the date of our new tax elections. ETP accounts for HHI using the treasury stock method due to its ownership of ETP's Class E units. ETP accounts for the tax effects of the goodwill amortization and remedial income allocation as an adjustment of ETP's HHI purchase price allocation, which effectively results in a charge to ETP's common equity and a deferred tax benefit offsetting the current tax expense resulting from the remedial income allocation for tax purposes. For the years ended December 31, 2009 and 2008, the four months ended December 31, 2007, and the year ended August 31, 2007, this resulted in a current tax expense and deferred tax benefit (with a corresponding charge to common equity as an adjustment of the purchase price allocation) of approximately \$3.8 million, \$3.4 million, \$1.2 million and \$1.2 million, respectively. As of December 31, 2009, the amount of tax goodwill to be amortized over the next 13 years for which HHI will receive a remedial income allocation is approximately \$132.8 million.

As a limited partnership, we are generally not subject to income tax. We are, however, subject to a statutory requirement that our non-qualifying income (including income such as derivative gains from trading activities, service income, tank rentals and others) cannot exceed 10% of our total gross income, determined on a calendar year basis under the applicable income tax provisions. If the amount of our non-qualifying income exceeds this statutory limit, we would be taxed as a corporation. Accordingly, certain activities that generate non-qualifying income are conducted through taxable corporate subsidiaries ("C corporations"). These C corporations are subject to federal and state income tax and pay the income taxes related to the results of their operations. For the years ended December 31, 2009 and 2008, the four months ended December 31, 2007 and the year ended August 31, 2007, our non-qualifying income did not exceed the statutory limit.

Those subsidiaries which are taxable corporations follow the asset and liability method of accounting for income taxes, under which deferred income taxes are recorded based upon differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the underlying assets are received and liabilities settled.

#### Accounting for Derivative Instruments and Hedging Activities

We are exposed to market risks related to the volatility of natural gas, NGL and propane prices. To manage the impact of volatility from these prices, we utilize various exchange-traded and OTC commodity financial instrument contracts. These contracts consist primarily of futures and swaps and are recorded at fair value in the consolidated balance sheets. In general, we use derivatives to eliminate market exposure and price risk within our segments as follows:

- Derivatives are utilized in our midstream segment in order to mitigate price volatility in our marketing activities and manage fixed price exposure incurred from contractual obligations.
- We use derivative financial instruments in connection with our natural gas inventory at the Bammel storage facility by purchasing physical natural gas and then selling financial contracts at a price sufficient to cover its carrying costs and provide a gross profit margin. We also use derivatives in our intrastate transportation and storage segment to hedge the sales price of retention gas and hedge location price differentials related to the transportation of natural gas.
- Our propane segment permits customers to guarantee the propane delivery price for the next heating season. As we execute fixed sales price contracts with our customers, we may enter into propane futures contracts to fix the purchase price related to these sales contracts, thereby locking in a gross profit margin. Additionally, we may use propane futures contracts to secure the purchase price of our propane inventory for a percentage of our anticipated propane sales.

For qualifying hedges, we formally document, designate and assess the effectiveness of transactions that receive hedge accounting treatment and the gains and losses offset related results on the hedged item in the statement of operations. The market prices used to value our financial derivatives and related transactions have been determined using independent third party prices, readily available market information, broker quotes and appropriate valuation techniques.

At inception of a hedge, we formally document the relationship between the hedging instrument and the hedged item, the risk management objectives, and the methods used for assessing and testing effectiveness and how any ineffectiveness will be measured and recorded. We also assess, both at the inception of the hedge and on a quarterly basis, whether the derivatives that are used in our hedging transactions are highly effective in offsetting changes in cash flows. If we determine that a derivative is no longer highly effective as a hedge, we discontinue hedge accounting prospectively by including changes in the fair value of the derivative in net income for the period.

If we designate a hedging relationship as a fair value hedge, we record the changes in fair value of the hedged asset or liability in cost of products sold in our consolidated statement of operations. This amount is offset by the changes in fair value of the related hedging instrument. Any ineffective portion or amount excluded from the assessment of hedge ineffectiveness is also included in the cost of products sold in the consolidated statement of operations.

We inject and hold natural gas in our Bammel storage facility to take advantage of contango markets, when the price of natural gas is higher in the future than the current spot price. We use financial derivatives to hedge the natural gas held in connection with these arbitrage opportunities. At the inception of the hedge, we lock in a margin by purchasing gas in the spot market or off peak season and entering a financial contract to lock in the sale price. If we designate the related financial contract as a fair value hedge for accounting purposes, we value the hedged natural gas inventory at current spot market prices along with the financial derivative we use to hedge it. Changes in the spread between the forward natural gas prices designated as fair value hedges and the physical inventory spot price result in unrealized gains or losses until the underlying physical gas is withdrawn and the related designated derivatives are settled. Once the gas is withdrawn and the designated derivatives are settled, the previously unrealized gains or losses associated with these positions are realized. Unrealized margins represent the unrealized gains or losses from our derivative instruments using marked to market accounting with changes in the fair value of our derivatives being recorded directly in earnings. These margins fluctuate based upon changes in the spreads between the physical spot price and forward natural gas prices. If the spread narrows between the physical and financial prices, we will record unrealized gains or lower unrealized losses. If the spread widens, we will record unrealized losses or lower unrealized gains. Typically, as we enter the winter months, the spread converges so that we recognize in earnings the original locked in spread, either through mark-to-market or the physical withdrawal of natural gas.

We attempt to maintain balanced positions in our marketing activities to protect ourselves from the volatility in the energy commodities markets; however, net unbalanced positions can exist. Long-term physical contracts are tied to index prices. System gas, which is also tied to index prices, is expected to provide most of the gas required by our long-term physical contracts. When third-party gas is required to supply long-term contracts, a hedge is put in place to protect the margin on the contract. Financial contracts, which are not tied to physical delivery, are expected to be offset with financial contracts to balance our positions. To the extent open commodity positions exist, fluctuating commodity prices can impact our financial position and results of operations, either favorably or unfavorably.

Cash flows from derivatives accounted for as cash flow hedges are reported as cash flows from operating activities, in the same category as the cash flows from the items being hedged.

If we designate a derivative financial instrument as a cash flow hedge and it qualifies for hedge accounting, a change in the fair value is deferred in AOCI until the underlying hedged transaction occurs. Any ineffective portion of a cash flow hedge's change in fair value is recognized each period in earnings. Gains and losses deferred in AOCI related to cash flow hedges remain in AOCI until the underlying physical transaction occurs, unless it is probable that the forecasted transaction will not occur by the end of the originally specified time period or within an additional two-month period of time thereafter. For financial derivative instruments that do not qualify for hedge accounting, the change in fair value is recorded in cost of products sold in the consolidated statements of operations.

We are exposed to market risk for changes in interest rates related to our revolving credit facilities. We previously have managed a portion of our interest rate exposures by utilizing interest rate swaps and similar arrangements, which allow us to effectively convert a portion of variable rate debt into fixed rate debt. Certain of our interest rate derivatives are accounted for as cash flow hedges. We report the realized gain or loss and ineffectiveness portions of those hedges in interest expense. Gains and losses on interest rate derivatives that are not accounted for as cash flow hedges are classified in other income.

**Allocation of Income (Loss)**

For purposes of maintaining partner capital accounts, our Partnership Agreement specifies that items of income and loss shall generally be allocated among the partners in accordance with their percentage interests (see Note 7).

**Unit-Based Compensation**

We recognize compensation expense for equity awards issued to employees over the vesting period based on the grant-date fair value. The grant-date fair value is determined based on the market price of our Common Units on the grant date, adjusted to reflect the present value of any expected distributions that will not accrue to the employee during the vesting period. The present value of expected service period distributions is computed based on the risk-free interest rate, the expected life of the unit grants and the expected unit distributions based on the most recently declared distributions as of the grant date.

## New Accounting Standards

**Accounting Standards Codification.** On July 1, 2009, the Financial Accounting Standards Board ("FASB") instituted a new referencing system, which codifies, but does not amend, previously existing nongovernmental U.S. generally accepted accounting principles ("GAAP"). The FASB Accounting Standards Codification ("ASC") is now the single authoritative source for GAAP. Although the implementation of ASC has no impact on our financial statements, certain references to authoritative GAAP literature within our footnotes have been changed to cite the appropriate content within the ASC.

**Noncontrolling Interests.** On January 1, 2009, we adopted SFAS 160, now incorporated into ASC 810-10, which established new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, the new standard requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent's equity. The amount of net income attributable to the noncontrolling interest is included in consolidated net income on the face of the income statement. The new standard clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. In addition, the new standard requires that a parent recognizes a gain or loss in net income when a subsidiary is deconsolidated. Such gain or loss is measured using the fair value of the noncontrolling equity investment on the deconsolidation date. This standard also includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interest. The adoption of this standard did not have a significant impact on our financial position or results of operations. However, it did result in certain changes to our financial statement presentation, including the change in classification of noncontrolling interest (minority interest) from liabilities to equity on the condensed consolidated balance sheet.

Upon adoption, we reclassified \$2.42 billion from minority interest liability to noncontrolling interest as a separate component of equity in our consolidated balance sheet as of December 31, 2008. In addition, we reclassified \$304.7 million, \$90.1 million and \$232.6 million of minority interest expense to net income attributable to noncontrolling interest in our consolidated statements of operations for the year ended December 31, 2008, the four month transition period ended December 31, 2007 and the year ended August 31, 2007. Net income per limited partner unit has not been affected as a result of the adoption of this standard.

**Earnings per Unit.** On January 1, 2009, we adopted a new methodology for calculating earnings per unit to reflect recently ratified changes to accounting standards. This new standard was originally issued as Emerging Issues Task Force Issue No. 07-4, *Application of the Two-Class Method under FASB Statement No. 128 to Master Limited Partnerships*, and is now incorporated into ASC 260-10. Our adoption of this standard did not have an impact on the calculation of ETE's earnings per unit.

On January 1, 2009, we also adopted FASB Staff Position No. EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*, which is now incorporated into ASC 260-10. This standard clarifies that unvested share-based payment awards constitute participating securities, if such awards include nonforfeitable rights to dividends or dividend equivalents. Consequently, awards that are deemed to be participating securities must be allocated earnings in the computation of earnings per share under the two-class method. Based on unvested unit awards outstanding at the time of adoption, application of this standard did not have a material impact on our computation of earnings per unit.

**Business Combinations.** On January 1, 2009, we adopted Statement of Financial Accounting Standards No. 141 (Revised 2007), *Business Combinations*, which is now incorporated into ASC 805. The new standard significantly changes the accounting for business combinations and includes a substantial number of new disclosure requirements. The new standard requires an acquiring entity to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions and changes the accounting treatment for certain specific items, including:

- Acquisition costs are generally expensed as incurred;
- Noncontrolling interests (previously referred to as "minority interests") are valued at fair value at the acquisition date;
- In-process research and development is recorded at fair value as an indefinite-lived intangible asset at the acquisition date;

- Restructuring costs associated with a business combination are generally expensed subsequent to the acquisition date; and
- Changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date are recorded in income taxes.

Our adoption of this standard did not have an immediate impact on our financial position or results of operations; however, it has impacted the accounting for our business combinations subsequent to adoption.

*Derivative Instruments and Hedging Activities.* On January 1, 2009, we adopted Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities - An Amendment of FASB Statement No. 133*, which is now incorporated into ASC 815. This standard changed the disclosure requirements for derivative instruments and hedging activities, including requirements for qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. The standard only affected disclosure requirements; therefore, our adoption did not impact our financial position or results of operations.

*Equity Method Investment Accounting.* On January 1, 2009, we adopted Emerging Issues Task Force Issue No. 08-6, *Equity Method Investment Accounting Considerations*, which is now incorporated into ASC 323-10. This standard establishes the requirements for initial measurement of an equity method investment, including the accounting for contingent consideration related to the acquisition of an equity method investment, and also clarifies the accounting for (1) an other-than-temporary impairment of an equity method investment and (2) changes in level of ownership or degree of influence with respect to an equity method investment. Our adoption did not have a material impact on our financial position or results of operations.

*Subsequent Events.* During 2009, we adopted Statement of Financial Accounting Standards No. 165, *Disclosures about Subsequent Events*, which is now incorporated into ASC 855. Under this standard, we are required to evaluate subsequent events through the date that our financial statements are issued and also required to disclose the date through which subsequent events are evaluated. The adoption of this standard does not change our current practices with respect to evaluating, recording and disclosing subsequent events; therefore, our adoption of this statement during the second quarter had no impact on our financial position or results of operations.

### 3. **ACQUISITIONS:**

#### **Proposed Transaction**

We have agreed to purchase a natural gas gathering company which provides dehydration, treating, redelivery and compression services on a 120-mile pipeline system in the Haynesville Shale. The purchase price is \$150 million in cash, excluding certain adjustments as defined in the purchase agreement, and the acquisition is expected to close in March 2010.

#### **2009**

In November 2009, we acquired all of the outstanding equity interests of a natural gas compression equipment business with operations in Arkansas, California, Colorado, Louisiana, New Mexico, Oklahoma, Pennsylvania and Texas, in exchange for the issuance of 1,450,076 ETP Common Units having an aggregate market value of approximately \$63.3 million on the closing date. In connection with this transaction, we received cash of \$41.1 million, assumed total liabilities of \$30.5 million, which includes \$8.4 million in notes payable and recorded goodwill of \$8.7 million. In addition, we acquired ETG in August 2009. See Note 14.

#### **2008**

During the year ended December 31, 2008, HOLP and Titan collectively acquired substantially all of the assets of 20 propane businesses. The aggregate purchase price for these acquisitions totaled \$96.4 million, which included \$76.2 million of cash paid, net of cash acquired, liabilities assumed of \$ 8.2 million, 53,893 Common Units issued valued at \$2.2 million and debt forgiveness of \$9.8 million. The cash paid for acquisitions was financed primarily with ETP's and HOLP's Senior Revolving Credit Facilities. We recorded \$15.3 million of goodwill in connection with these acquisitions.

**Transition Period 2007**

*Canyon Acquisition*

In October 2007, ETP acquired the Canyon Gathering System midstream business of Canyon Gas Resources, LLC from Cantera Resources Holdings, LLC (the "Canyon acquisition") for \$305.2 million in cash, subject to working capital adjustments as defined in the purchase and sale agreement. The purchase price was initially allocated based on the estimated fair values of the assets acquired and liabilities assumed at the date of the acquisition. We completed the purchase price allocation during the third quarter of 2008. The adjustments to the purchase price allocation were not material.

The final allocations of the purchase price are noted below:

Accounts receivable	\$ 3,613
Inventory	183
Prepaid and other current assets	1,606
Property, plant, and equipment	284,910
Intangibles and other assets	6,351
Goodwill	11,359
Total assets acquired	<u>308,022</u>
Accounts payable	(1,840)
Customer advances and deposits	(1,030)
Total liabilities assumed	<u>(2,870)</u>
Net assets acquired	<u>\$ 305,152</u>

**2007**

On November 1, 2006, the Parent Company acquired from Energy Transfer Investments, L.P. ("ETI", a partnership also controlled by LE GP) the remaining 50% of the Class B Limited Partner interests in ETP GP owned by ETI. The Parent Company recorded this acquisition at ETI's historical cost of \$4.5 million as required under GAAP due to the fact that the Parent Company and ETI are companies under common control. As a result, the Parent Company now owns 100% of the Incentive Distribution Rights of ETP. The acquisition was effected through the issuance of 83,148,900 newly created Parent Company Class C Units and the assumption by the Parent Company of approximately \$70.5 million of ETI's indebtedness. The assumption of this debt represents a non-cash financing activity. The Class C Units were recorded at the net value of the debt assumption (accounted for as a distribution to ETI) and the value of the ETP GP Class B Units acquired, a net amount of \$66.0 million. The Class C Units had essentially the same voting rights and rights to distributions as the Common Units and Class B Units. The Class C Units converted into Common Units upon approval by the ETE Common Unitholders on February 22, 2007.

Also on November 1, 2006, the Parent Company acquired additional limited partner interests in ETP (Class G Units, which subsequently converted to Common Units on May 1, 2007, see Note 7) which increased the Parent Company's aggregate ownership in ETP's limited partner interests to approximately 46%.

On November 1, 2006, pursuant to agreements entered into with GE Energy Financial Services ("GE") and Southern Union Company ("Southern Union"), ETP acquired the member interests in CCE Holdings, LLC ("CCEH") from GE and certain other investors for \$1.00 billion. ETP financed a portion of the CCEH purchase price with the proceeds from its issuance of 26,086,957 Class G Units to the Parent Company simultaneous with the closing on November 1, 2006. The member interests acquired represented a 50% ownership in CCEH. On December 1, 2006, in a second and related transaction, CCEH redeemed ETP's 50% ownership interest in CCEH in exchange for 100% ownership of Transwestern, which owns the Transwestern pipeline. Following the final step, Transwestern became a new operating subsidiary and formed the interstate transportation segment of ETP.



The total acquisition cost for Transwestern, net of cash acquired, was as follows:

Basis of investment in CCEH at November 30, 2006	\$	956,348
Distributions received on December 1, 2006		(6,217)
Fair value of short-term debt assumed		13,000
Fair value of long-term debt assumed		519,377
Other assumed long-term indebtedness		10,096
Current liabilities assumed		35,781
Cash acquired		(3,386)
Acquisition costs incurred		11,696
Total	\$	<u>1,536,695</u>

In September 2006, ETP acquired two small natural gas gathering systems in east and north Texas for an aggregate purchase price of approximately \$30.6 million in cash. The purchase and sale agreement for the gathering system in north Texas also had a contingent payment not to exceed \$25.0 million to be determined eighteen months from the closing date. These systems provide us with additional capacity in the Barnett Shale and in the Travis Peak area of east Texas and are included in our midstream operating segment. The cash paid for this acquisition was financed primarily from advances under the previously existing credit facility. In March 2008, a contingent payment of \$8.7 million was recorded as an adjustment to goodwill in the midstream segment.

In December 2006, ETP purchased a natural gas gathering system in north Texas for \$32.0 million in cash. The purchase and sale agreement for the gathering system in north Texas also had a contingent payment not to exceed \$21.0 million to be determined two years after the closing date. In December 2008, it was determined that a contingency payment would not be required. The gathering system consists of approximately 36 miles of pipeline and has an estimated capacity of 70 MMcf/d. We expect the gathering system will allow us to continue expanding in the Barnett Shale area of north Texas. The cash paid for this acquisition was financed primarily from advances under the previously existing credit facility.

During the fiscal year ended August 31, 2007, HOLP and Titan collectively acquired substantially all of the assets of five propane businesses. The aggregate purchase price for these acquisitions totaled \$17.6 million, which included \$15.5 million of cash paid, net of cash acquired, and liabilities assumed of \$2.1 million. The cash paid for acquisitions was financed primarily with ETP's and HOLP's Senior Revolving Credit Facilities.

Except for the acquisition of the interests in ETP GP, the purchase of Class G Units from ETP and the 50% member interests in CCEH, the acquisitions discussed above were accounted for under the purchase method of accounting and the purchase prices were allocated based on the estimated fair values of the assets acquired and liabilities assumed at the date of the acquisition. The acquisition of the 50% member interest in CCEH was accounted for under the equity method of accounting in accordance with APB Opinion No. 18, through November 30, 2006. The acquisition of 100% of Transwestern has been accounted for under the purchase method of accounting since the acquisition on December 1, 2006. The acquisition of the interests in ETP GP was accounted for on the basis of historical costs, as discussed above.¶ 60; The purchase of Class G Units from ETP was accounted for as described in Note 7.

The following table presents the allocation of the acquisition cost to the assets acquired and liabilities assumed based on their fair values for the fiscal year 2007 acquisitions described above, net of cash acquired:

	Intrastate Transportation and Storage and Midstream Acquisitions (Aggregated)	Transwestern Acquisition	Propane Acquisitions (Aggregated)
Accounts receivable	\$ -	\$ 20,062	\$ 1,111
Inventory	-	895	414
Prepaid and other current assets	-	11,842	57
Investment in unconsolidated affiliate	(503)	-	-
Property, plant, and equipment	50,916	1,254,968	8,035
Intangibles and other assets	23,015	141,378	3,808
Goodwill	-	107,550	4,167
Total assets acquired	<u>73,428</u>	<u>1,536,695</u>	<u>17,592</u>
Accounts payable	-	(1,932)	(381)
Customer advances and deposits	-	(700)	(254)
Accrued and other current liabilities	(292)	(33,149)	(170)
Short-term debt (paid in December 2006)	-	(13,000)	-
Long-term debt	-	(519,377)	(1,309)
Other long-term obligations	-	(10,096)	-
Total liabilities assumed	<u>(292)</u>	<u>(578,254)</u>	<u>(2,114)</u>
Net assets acquired	<u>\$ 73,136</u>	<u>\$ 958,441</u>	<u>\$ 15,478</u>

The purchase price for the acquisitions was initially allocated based on the estimated fair value of the assets acquired and liabilities assumed. The Transwestern allocation was based on the preliminary results of independent appraisals. The purchase price allocations were completed during the first quarter of 2008. The final allocation adjustments were not significant.

Included in the property, plant and equipment associated with the Transwestern acquisition is an aggregate plant acquisition adjustment of \$446.2 million, which represents costs allocated to Transwestern's transmission plant. This amount has not been included in the determination of tariff rates Transwestern charges to its regulated customers. The unamortized balance of this adjustment was \$419.6 million at December 31, 2008 and is being amortized over 35 years, the composite weighted average estimated remaining life of Transwestern's assets as of the acquisition date.

Regulatory assets, included in intangible and other assets on the consolidated balance sheet, established in the Transwestern purchase price allocation consist of the following:

Accumulated reserve adjustment	\$ 42,132
AFUDC gross-up	9,280
Environmental reserves	6,623
South Georgia deferred tax receivable	2,593
Cash Balance Plan	9,329
Total Regulatory Assets acquired	<u>\$ 69,957</u>

All of Transwestern's regulatory assets are considered probable of recovery in rates.

We recorded the following intangible assets and goodwill in conjunction with the fiscal year 2007 acquisitions described above:

	Intrastate Transportation and Storage and Midstream Acquisitions (Aggregated)	Transwestern Acquisition	Propane Acquisitions (Aggregated)
Intangible assets:			
Contract rights and customer lists (6 to 15 years)	\$ 23,015	\$ 47,582	\$ -
Financing costs (7 to 9 years)	-	13,410	-
Other	-	-	3,808
Total intangible assets	23,015	60,992	3,808
Goodwill	-	107,550	4,167
Total intangible assets and goodwill acquired	\$ 23,015	\$ 168,542	\$ 7,975

Goodwill was warranted because these acquisitions enhance our current operations, and certain acquisitions are expected to reduce costs through synergies with existing operations. We expect all of the goodwill acquired to be tax deductible. We do not believe that the acquired intangible assets have any significant residual value at the end of their useful life.

4. **INVESTMENTS IN AFFILIATES:**

**Midcontinent Express Pipeline LLC**

ETP is party to an agreement with Kinder Morgan Energy Partners, L.P. ("KMP") for a 50/50 joint development of the Midcontinent Express pipeline. Construction of the approximately 500-mile pipeline was completed and natural gas transportation service commenced August 1, 2009 on the pipeline from Delhi, Louisiana, to an interconnect with the Transco interstate natural gas pipeline in Butler, Alabama. Interim service began on the pipeline from Bennington, Oklahoma, to Delhi in April 2009. In July 2008, Midcontinent Express Pipeline LLC ("MEP"), the entity formed to construct, own and operate this pipeline, completed an open season with respect to a capacity expansion of the pipeline from the current capacity of 1.4 Bcf/d to a total capacity of 1.8 Bcf/d for the main segment of the pipeline from north Texas to an interconnect location with the Columbia Gas Transmission Pipeline near Waverly, Louisiana. The additional capacity was fully subscribed as a result of this open season. The planned expansion of capacity will be added through the installation of additional compression on this segment of the pipeline and is expected to be completed in the latter part of 2010. This expansion was approved by the Federal Energy Regulatory Commission (the "FERC") in September 2009.

On January 9, 2009, MEP filed an amended application to revise its initial transportation rates to reflect an increase in projected costs for the project; the amended application was approved by the FERC on March 25, 2009.

**Fayetteville Express Pipeline LLC**

ETP is party to an agreement with KMP for a 50/50 joint development of the Fayetteville Express pipeline, an approximately 185-mile natural gas pipeline that will originate in Conway County, Arkansas, continue eastward through White County, Arkansas and terminate at an interconnect with Trunkline Gas Company in Quitman County, Mississippi. In December 2009, Fayetteville Express Pipeline LLC ("FEP"), the entity formed to construct, own and operate this pipeline, received FERC approval of its application for authority to construct and operate this pipeline. That order is currently subject to a limited request for rehearing. The pipeline is expected to have an initial capacity of 2.0 Bcf/d. The pipeline project is expected to be in service by the end of 2010. FEP has secured binding 10-year commitments for transportation of approximately 1.85 Bcf/d. The new pipeline will interconnect with Natural Gas Pipeline Company of America ("NGPL") in White County, Arkansas, Texas Gas Transmission in Coahoma County, Mississippi and ANR Pipeline Company in Quitman County, Mississippi. NGPL is operated and partially owned by Kinder Morgan, Inc. Kinder Morgan, Inc. owns the general partner of KMP.

### Capital Contributions to Affiliates

During the year ended December 31, 2009, we contributed \$664.5 million to MEP. FEP's capital expenditures are being funded under a credit facility. All of our contributions to FEP were reimbursed to us in 2009, including \$9.0 million that we contributed in 2008.

### Summarized Financial Information

The following tables present aggregated selected balance sheet and income statement data for our unconsolidated affiliates, MEP and FEP (on a 100% basis):

	December 31,	
	2009	2008
Current assets	\$ 33,794	\$ 9,953
Property, plant and equipment, net	2,576,031	1,012,006
Other assets	19,658	-
Total assets	\$ 2,629,483	\$ 1,021,959
Current liabilities	\$ 105,951	\$ 163,379
Non-current liabilities	1,198,882	840,580
Equity	1,324,650	18,000
Total liabilities and equity	\$ 2,629,483	\$ 1,021,959

	Years Ended December 31,		Four Months Ended	Year Ended
	2009	2008	December 31,	August 31,
			2007	2007
Revenue	\$ 98,593	\$ -	\$ -	\$ -
Operating income	47,818	-	-	-
Net income	36,555	1,057	-	-

As stated above, MEP was placed into service during 2009.

#### 5. INCOME PER LIMITED PARTNER UNIT:

Basic net income per limited partner unit is computed by dividing net income, after considering the General Partner's interest, by the weighted average number of limited partner interests outstanding. Diluted net income per limited partner unit is computed by dividing net income (as adjusted as discussed herein), after considering the General Partner's interest, by the weighted average number of limited partner interests outstanding and the number of unvested ETE Incentive Units granted. For the diluted earnings per share computation, income allocable to the limited partners is reduced, where applicable, for the decrease in earnings from ETE's limited partner unit ownership in ETP that would have resulted assuming the incremental units related to ETP's equity incentive plans had been issued during the respective periods. Such units have been determined based on the treasury stock method.

A reconciliation of net income and weighted average units used in computing basic and diluted net income per unit is as follows:

	Years Ended December 31,		Four Months Ended	Year Ended
	2009	2008	December 31,	August 31,
			2007	2007
<b>Basic Net Income per Limited Partner Unit:</b>				
Limited Partner's interest in net income	\$ 441,103	\$ 373,883	\$ 92,390	\$ 318,312
Weighted average limited partner units	222,898,203	222,829,956	222,829,916	204,578,719
Basic net income per limited partner unit	\$ 1.98	\$ 1.68	\$ 0.41	\$ 1.56
<b>Diluted Net Income per Limited Partner Unit:</b>				
Limited Partner's interest in net income	\$ 441,103	\$ 373,883	\$ 92,390	\$ 318,312
Dilutive effect of Unit Grants	(410)	(349)	(218)	(376)
Diluted net income available to limited partners	\$ 440,693	\$ 373,534	\$ 92,172	\$ 317,936
Weighted average limited partner units	222,898,203	222,829,956	222,829,916	204,578,719
Diluted net income per limited partner unit	\$ 1.98	\$ 1.68	\$ 0.41	\$ 1.55

6. **DEBT OBLIGATIONS:**

Our debt obligations consist of the following:

	December 31, 2009	December 31, 2008	
<b>ETP Senior Notes:</b>			
5.95% Senior Notes, due February 1, 2015	\$ 750,000	\$ 750,000	Payable upon maturity. Interest is paid semi-annually.
5.65% Senior Notes, due August 1, 2012	400,000	400,000	Payable upon maturity. Interest is paid semi-annually.
6.125% Senior Notes, due February 15, 2017	400,000	400,000	Payable upon maturity. Interest is paid semi-annually.
6.625% Senior Notes, due October 15, 2036	400,000	400,000	Payable upon maturity. Interest is paid semi-annually.
6.0% Senior Notes, due July 1, 2013	350,000	350,000	Payable upon maturity. Interest is paid semi-annually.
6.7% Senior Notes, due July 1, 2018	600,000	600,000	Payable upon maturity. Interest is paid semi-annually.
7.5% Senior Notes, due July 1, 2038	550,000	550,000	Payable upon maturity. Interest is paid semi-annually.
9.7% Senior Notes due March 15, 2019	600,000	600,000	Put option on March 15, 2012. Payable upon maturity. Interest is paid semi-annually.
8.5% Senior Notes due April 15, 2014	350,000	-	Payable upon maturity. Interest is paid semi-annually.
9.0% Senior Notes due April 15, 2019	650,000	-	Payable upon maturity. Interest is paid semi-annually.
<b>Transwestern Senior Unsecured Notes:</b>			
5.39% Senior Unsecured Notes, due November 17, 2014	88,000	88,000	Payable upon maturity. Interest is paid semi-annually.
5.54% Senior Unsecured Notes, due November 17, 2016	125,000	125,000	Payable upon maturity. Interest is paid semi-annually.
5.64% Senior Unsecured Notes, due May 24, 2017	82,000	82,000	Payable upon maturity. Interest is paid semi-annually.
5.89% Senior Unsecured Notes, due May 24, 2022	150,000	150,000	Payable upon maturity. Interest is paid semi-annually.
6.16% Senior Unsecured Notes, due May 24, 2037	75,000	75,000	Payable upon maturity. Interest is paid semi-annually.
5.36% Senior Unsecured Notes, due December 9, 2020	175,000	-	Payable upon maturity. Interest is paid semi-annually.
5.66% Senior Unsecured Notes, due December 9, 2024	175,000	-	Payable upon maturity. Interest is paid semi-annually.
<b>HOLP Senior Secured Notes:</b>			
8.55% Senior Secured Notes	24,000	36,000	Annual payments of \$12,000 due each June 30 through 2011. Interest is paid semi-annually.
<b>Medium Term Note Program:</b>			
7.17% Series A Senior Secured Notes	-	2,400	Matured in November 2009.
7.26% Series B Senior Secured Notes	6,000	8,000	Annual payments of \$2,000 due each November 19 through 2012. Interest is paid semi-annually.
<b>Senior Secured Promissory Notes:</b>			
8.55% Series B Senior Secured Notes	4,571	9,142	Annual payments of \$4,571 due each August 15 through 2010. Interest is paid quarterly.
8.59% Series C Senior Secured Notes	5,750	11,500	Annual payments of \$5,750 due each August 15 through 2010. Interest is paid quarterly.
8.67% Series D Senior Secured Notes	33,100	45,550	Annual payments of \$7,700 due August 15, 2010, \$12,450 due August 15, 2011, and \$12,950 due August 15, 2012. Interest is paid quarterly.
8.75% Series E Senior Secured Notes	6,000	7,000	Annual payments of \$1,000 due each August 15 through 2015. Interest is paid quarterly.
8.87% Series F Senior Secured Notes	40,000	40,000	Annual payments of \$3,636 due each August 15, 2010 through 2020. Interest is paid quarterly.
7.89% Series H Senior Secured Notes	5,091	5,818	Annual payments of \$727 due each May 15 through 2016. Interest is paid quarterly.
7.99% Series I Senior Secured Notes	16,000	16,000	One payment due May 15, 2013. Interest is paid quarterly.
<b>Revolving Credit Facilities and Term Loans:</b>			
ETE Senior Secured Revolving Credit Facility	123,951	121,642	See terms below under "Parent Company Credit Facilities".
ETE Senior Secured Term Loan	1,450,000	1,450,000	See terms below under "Parent Company Credit Facilities".
ETP Revolving Credit Facility	150,000	902,000	See terms below under "ETP Credit Facility".
HOLP Fourth Amended and Restated Senior Revolving Credit Facility	10,000	10,000	See terms below under "HOLP Credit Facility".
<b>Other Long-Term Debt:</b>			
Notes payable on noncompete agreements with interest imputed at rates averaging 8.06% and 7.91% for December 31, 2009 and 2008, respectively	7,898	11,249	Due in installments through 2014.
Other	2,390	2,765	Due in installments through 2024.
Unamortized discounts	(12,829)	(13,477)	
	7,791,922	7,235,589	
Current maturities	(40,924)	(45,232)	
	<u>\$ 7,750,998</u>	<u>\$ 7,190,357</u>	

Future maturities of long-term debt for each of the next five years and thereafter are as follows:

2010	\$	40,924
2011		168,558
2012		2,022,881
2013		372,569
2014		443,519
Thereafter		4,743,471
	\$	<u>7,791,922</u>

#### **ETP Senior Notes**

The ETP Senior Notes were registered under the Securities Act of 1933 (as amended). The Partnership may redeem some or all of the ETP Senior Notes at any time, or from time to time, pursuant to the terms of the indenture and related indenture supplements related to the ETP Senior Notes. Interest on the ETP Senior Notes is paid semi-annually.

The ETP Senior Notes are unsecured obligations of ETP and the obligation of ETP to repay the ETP Senior Notes is not guaranteed by us, ETP or any of ETP's subsidiaries. As a result, the ETP Senior Notes effectively rank junior to any future indebtedness of ours, ETP's or its subsidiaries that is both secured and unsubordinated to the extent of the value of the assets securing such indebtedness, and the ETP Senior Notes effectively rank junior to all indebtedness and other liabilities of ETP's existing and future subsidiaries.

In April 2009, we completed a public offering of \$350.0 million aggregate principal amount of 8.5% Senior Notes due 2014 and \$650.0 million aggregate principal amount of 9.0% Senior Notes due 2019 (collectively the "2009 ETP Notes"). The offering of the 2009 ETP Notes closed on April 7, 2009 and we used net proceeds of approximately \$993.6 million to repay borrowings under the ETP Credit Facility and for general partnership purposes. Interest will be paid semi-annually.

#### **Transwestern Senior Unsecured Notes**

Transwestern's long-term debt consists of \$213.0 million remaining principal amount of notes assumed in connection with the Transwestern acquisition, \$307.0 million aggregate principal amount of notes issued in May 2007, and \$350.0 million aggregate principal amount of notes issued in December 2009. The proceeds from the notes issued in December 2009 were used by Transwestern to repay amounts under an intercompany loan agreement. No principal payments are required under any of the Transwestern notes prior to their respective maturity dates. The Transwestern notes rank *pari passu* with Transwestern's other unsecured debt. The Transwestern notes are payable at any time in whole or pro rata in part, subject to a premium or upon a change of control event or an event of default, as defined. Interest is paid semi-annually.

Transwestern's debt agreements contain certain restrictions that, among other things, limit the incurrence of additional debt, the sale of assets and the payment of dividends and specify a maximum debt to capitalization ratio.

#### **HOLP Senior Secured Notes**

All receivables, contracts, equipment, inventory, general intangibles, cash concentration accounts, and the capital stock of HOLP and its subsidiaries secure the HOLP Senior Secured, Medium Term, and Senior Secured Promissory Notes (collectively, the "HOLP Notes").

#### **Revolving Credit Facilities**

##### ***Parent Company Facilities***

The Parent Company has a \$1.45 billion Term Loan Facility and a Term Loan Maturity Date of November 1, 2012 (the "Parent Company Credit Agreement"). The Parent Company Credit Agreement also includes a \$500.0 million Secured Revolving Credit Facility (the "Parent Company Revolving Credit Facility") available through February 8, 2011. The Parent Company Revolving Credit Facility includes a Swingline loan option with a maximum borrowing of \$10.0 million and a daily rate based on LIBOR.

The total outstanding amount borrowed under the Parent Company Credit Agreement and the Parent Company Revolving Credit Facility as of December 31, 2009 was \$1.57 billion. The total amount available under the Parent Company's debt facilities as of December 31, 2009 was \$376.0 million. The Parent Company Revolving Credit Facility also contains an accordion feature, which will allow the Parent Company, subject to bank syndication's approval, to expand the facility's capacity up to an additional \$100.0 million.

The maximum commitment fee payable on the unused portion of the Parent Company Revolving Credit Facility is based on the applicable Leverage Ratio, which is currently at Level III or 0.375%. Loans under the Parent Company Revolving Credit Facility bear interest at Parent Company's option at either (a) the Eurodollar rate plus the applicable margin or (b) base rate plus the applicable margin. The applicable margins are a function of the Parent Company's leverage ratio that corresponds to levels set forth in the agreement. The applicable Term Loan bears interest at (a) the Eurodollar rate plus 1.75% per annum and (b) with respect to any Base Rate Loan, at Prime Rate plus 0.25% per annum. As of December 31, 2009, the weighted average interest rate was 1.94% for the amounts outstanding on the Parent Company Senior Secured Revolving Credit Facility and the Parent Company \$1.45 billion Senior Secured Term Loan Facility.

The Parent Company Credit Agreement is secured by a lien on all tangible and intangible assets of the Parent Company and its subsidiaries, including its ownership of 62,500,797 ETP Common Units, the Parent Company's 100% interest in ETP LLC and ETP GP with indirect recourse to ETP GP's General Partner interest in ETP and 100% of ETP GP's outstanding incentive distribution rights in ETP, which the Parent Company holds through its ownership of ETP GP.

#### ***ETP Credit Facility***

The ETP Credit Facility provides for \$2.0 billion of revolving credit capacity that is expandable to \$3.0 billion (subject to obtaining the approval of the administrative agent and securing lender commitments for the increased borrowing capacity, under the Amended and Restated Credit Agreement). The ETP Credit Facility matures on July 20, 2012, unless we elect the option of one-year extensions (subject to the approval of each such extension by the lenders holding a majority of the aggregate lending commitments). Amounts borrowed under the ETP Credit Facility bear interest at a rate based on either a Eurodollar rate or a prime rate. The commitment fee payable on the unused portion of the ETP Credit Facility varies based on our credit rating and the fee is 0.11% based on our current rating with a maximum fee of 0.125%.

As of December 31, 2009, there was a balance outstanding in the ETP Credit Facility of \$150.0 million in revolving credit loans and approximately \$62.2 million in letters of credit. The weighted average interest rate on the total amount outstanding at December 31, 2009 was 0.78%. The total amount available under the ETP Credit Facility, as of December 31, 2009, which is reduced by any letters of credit, was approximately \$1.79 billion. The indebtedness under the ETP Credit Facility is unsecured and not guaranteed by any of the Partnership's subsidiaries and has equal rights to holders of our current and future unsecured debt. The indebtedness under the ETP Credit Facility has the same priority of payment as our other current and future unsecured debt.

#### ***HOLP Credit Facility***

HOLP has a \$75.0 million Senior Revolving Facility (the "HOLP Credit Facility") available through June 30, 2011, which may be expanded to \$150.0 million. Amounts borrowed under the HOLP Credit Facility bear interest at a rate based on either a Eurodollar rate or a prime rate. The commitment fee payable on the unused portion of the facility varies based on the Leverage Ratio, as defined in the credit agreement for the HOLP Credit Facility, with a maximum fee of 0.50%. The agreement includes provisions that may require contingent prepayments in the event of dispositions, loss of assets, merger or change of control. All receivables, contracts, equipment, inventory, general intangibles, cash concentration accounts of HOLP, and the capital stock of HOLP's subsidiaries secure the HOLP Credit Facility (total book value as of December 31, 2009 of approximately \$1.2 billion). At December 31, 2009, there was \$10.0 million outstanding in revolving credit loans and outstanding letters of credit of \$1.0 million. The amount available for borrowing as of December 31, 2009 was \$64.0 million.



## Covenants Related to Our Credit Agreements

The agreements related to the ETP Senior Notes contain restrictive covenants customary for an issuer with an investment-grade rating from the rating agencies, which covenants include limitations on liens and a restriction on sale-leaseback transactions. The agreements and indentures related to each of the Parent Company Revolving Credit Facility and Senior Secured Term Loan Facility and ETP's and the Operating Companies' HOLP Notes and the HOLP Credit Facility contain customary restrictive covenants applicable to the Parent Company, ETP and the Operating Companies, including the maintenance of various financial and leverage covenants, limitations on substantial disposition of assets, changes in ownership, the level of additional indebtedness and creation of liens as described in further detail below.

The Parent Company Revolving Credit Facility and Senior Secured Term Loan Facility contain financial covenants as follows:

- Maximum Leverage Ratio – Consolidated Funded Debt of the Parent Company (as defined) to Consolidated EBITDA (as defined in the agreements) of the Parent Company of not more than 4.50 to 1.00, with a permitted increase to 5.00 to 1.00 during a specified acquisition period extending for two fiscal quarters following the close of a specified acquisition
- Maximum Consolidated Leverage Ratio – Consolidated Funded Debt of the Parent Company and ETP to Consolidated EBITDA of ETP of not more than 5.50 to 1.00
- Interest Coverage Ratio may not be less than 3.00 to 1.00
- Value to Loan Ratio may not be less than 2.00 to 1.00

The credit agreement relating to the ETP Credit Facility contains covenants that limit (subject to certain exceptions) the Partnership's and certain of the Partnership's subsidiaries, ability to, among other things:

- incur indebtedness;
- grant liens;
- enter into mergers;
- dispose of assets;
- make certain investments;
- make Distributions (as defined in such credit agreement) during certain Defaults (as defined in such credit agreement) and during any Event of Default (as defined in such credit agreement);
- engage in business substantially different in nature than the business currently conducted by the Partnership and its subsidiaries;
- engage in transactions with affiliates;
- enter into restrictive agreements; and
- enter into speculative hedging contracts.

The credit agreement related to the ETP Credit Facility also contains a financial covenant that provides that on each date ETP makes a distribution, the leverage ratio, as defined in the ETP Credit Facility, shall not exceed 5.0 to 1, with a permitted increase to 5.5 to 1 during a specified acquisition period, as defined in the ETP Credit Facility. This financial covenant could therefore restrict ETP's ability to make cash distributions to its Unitholders, its general partner and the holder of its incentive distribution rights.

The agreements related to the HOLP Notes and the HOLP Credit Facility contain customary restrictive covenants applicable to HOLP, including the maintenance of various financial and leverage covenants and limitations on substantial disposition of assets, changes in ownership, the level of additional indebtedness and creation of liens. The financial covenants require HOLP to maintain ratios of Adjusted Consolidated Funded Indebtedness to Adjusted Consolidated EBITDA (as these terms are similarly defined in the agreements related to the HOLP Notes and HOLP Credit Facility) of not more than 4.75 to 1 and Consolidated EBITDA to Consolidated Interest Expense (as these terms are similarly defined in the agreements related to the HOLP Notes and HOLP Credit Facility) of not less than 2.25 to 1. These debt agreements also provide that HOLP may declare, make, or incur a liability to make restricted payments during each fiscal quarter, if: (a) the amount of such restricted payment, together with all other restricted payments during such quarter, do not exceed the amount of Available Cash (as defined in the agreements related to the HOLP Notes and HOLP Credit Facility) with respect to the immediately preceding quarter (which amount is required to reflect a reserve equal to 50% of the interest to be paid on the HOLP Notes during the last quarter and in addition, in the third, second and first quarters preceding a quarter in which a scheduled principal payment is to be made on the HOLP Notes, and a reserve equal to 25%, 50%, and 75%, respectively, of the principal amount to be repaid on such payment dates), (b) no default or event of default exists before such restricted payments, and (c) the amounts of HOLP's restricted payment is not disproportionately greater than the payment amount from ETC OLP utilized to fund payment obligations of ETP and its general partner with respect to ETP's Common Units.

Failure to comply with the various restrictive and affirmative covenants of our revolving credit facilities and the note agreements related to the HOLP Notes could require us to pay debt balances prior to scheduled maturity and could negatively impact the Operating Companies' ability to incur additional debt and/or our ability to pay distributions.

We are required to assess compliance quarterly and were in compliance with all requirements, tests, limitations, and covenants related to our debt agreements as of December 31, 2009.

7. **PARTNERS' CAPITAL:**

**Limited Partner Units**

Limited partner interests in the Partnership are represented by Common Units that entitle the holders thereof to the rights and privileges specified in the Partnership Agreement. The Partnership's Common Units are registered under the Securities Act of 1934 and are listed for trading on the New York Stock Exchange ("NYSE"). Each holder of a Common Unit is entitled to one vote per unit on all matters presented to the Limited Partners for a vote. In addition, if at any time any person or group (other than the Partnership's General Partner and its affiliates) owns beneficially 20% or more of all Common Units, any Common Units owned by that person or group may not be voted on any matter and are not considered to be outstanding when sending notices of a meeting of Unitholders (unless otherwise required by law), calculating required votes, determining the presence of a quorum or for other similar purposes under the Partnership Agreement. The Common Units are entitled to distributions of Available Cash as described below under "Quarterly Distributions of Available Cash."

As of December 31, 2009, there were issued and outstanding 222,898,248 Common Units representing an aggregate 99.69% limited partner interest in the Partnership.

Our Partnership Agreement contains specific provisions for the allocation of net earnings and losses to the partners for purposes of maintaining the partner capital accounts. For any fiscal year that the Partnership has net profits, such net profits are first allocated to the General Partner until the aggregate amount of net profits for the current and all prior fiscal years equals the aggregate amount of net losses allocated to the General Partner for the current and all prior fiscal years. Second, such net profits shall be allocated to the Limited Partners pro rata in accordance with their respective sharing ratios. For any fiscal year in which the Partnership has net losses, such net losses shall be first allocated to the Limited Partners in proportion to their respective adjusted capital account balances, as defined by the Partnership Agreement, (before taking into account such net losses) until their adjusted capital account balances have been reduced to zero. Second, all remaining net losses shall be allocated to the General Partner. The General Partner may distribute to the Limited Partners funds of the Partnership that the General Partner reasonably determines are not needed for the payment of existing or foreseeable Partnership obligations and expenditures.

In connection with our initial public offering in February 2006, we issued Class B Units to our management, and all of the Class B Units were converted to ETE Common Units in March 2007. In November 2006, we issued Class C Units to acquire limited partner interest in ETP GP, and in February 2007, all of the Class C Units were converted to ETE Common Units.

## Common Units

The change in Common Units is as follows:

	Years Ended December 31,		Four Months Ended	Year Ended
	2009	2008	December 31,	August 31,
	2009	2008	2007	2007
<b>Number of Units, beginning of period</b>	222,829,956	222,829,956	222,828,332	124,360,520
Issuance of restricted Common Units under long-term incentive plan	68,292	-	1,624	1,948
Issuance of Common Units	-	-	-	12,795,394
Conversion of Class B Units to Common Units	-	-	-	2,521,570
Conversion of Class C Units to Common Units	-	-	-	83,148,900
<b>Number of Units, end of period</b>	<u>222,898,248</u>	<u>222,829,956</u>	<u>222,829,956</u>	<u>222,828,332</u>

### Sale of Common Units by Subsidiary

The Parent Company accounts for the difference between the carrying amount of its investment in ETP and the underlying book value arising from issuance of units by ETP (excluding unit issuances to the Parent Company) as a capital transaction. The capital transactions are reflected in the Partnership's consolidated balance sheets as an increase in partners' capital. If ETP issues units at a price less than the Parent Company's carrying value per unit, the Parent Company assesses whether the investment in ETP has been impaired, in which case a provision would be reflected in the statement of operations. The Parent Company did not recognize any impairment related to the issuance of ETP Common Units during the periods presented.

On November 1, 2006, the Parent Company purchased 26,086,957 Class G Units representing limited partnership interests in ETP. The price per unit paid for each of the Common Units was equal to \$46.00 per unit, based upon a market discount from the NYSE closing price of the ETP's Common Units on October 31, 2006 of \$48.94. ETP used a portion of the proceeds to purchase interests in CCEH (see Note 3). On May 1, 2007, the Unitholders of ETP approved the conversion of the Class G Units to Common Units and all the outstanding ETP Class G Units converted to ETP Common Units on a one-for-one basis on such date. The Parent Company recorded the premium of \$451.2 million (the difference between the Parent Company's share of the underlying book value in ETP before and after the purchase of the Class G Units) as a reduction of the Parent Company's limited partners' capital with a corresponding increase in minority interest.

The following table summarizes ETP's public offerings of ETP Common Units:

Date	Number of Common Units (1)	Price per Unit	Net Proceeds	Use of Proceeds
December 2007 (2)	5,750,000	\$ 48.81	\$ 269.4	(3)
July 2008	8,912,500	39.45	337.5	(4)
January 2009	6,900,000	34.05	225.4	(4)
April 2009	9,775,000	37.55	352.4	(5)
October 2009	6,900,000	41.27	276.0	(4)
January 2010	9,775,000	44.72	423.6	(4)(5)

(1) Number of Common Units includes the exercise of the overallotment options by the underwriters.

(2) Amounts include the exercise of the overallotment option by the underwriters in January 2008.

(3) Proceeds were used to repay amounts outstanding under ETP's prior term loan facility.

(4) Proceeds were used to repay amounts outstanding under the ETP Credit Facility.

(5) Proceeds were used to fund capital expenditures and capital contributions to joint ventures, as well as for general partnership purposes.

On August 26, 2009, ETP entered into an Equity Distribution Agreement with UBS Securities LLC ("UBS"). Pursuant to this agreement, ETP may offer and sell from time to time through UBS, as their sales agent, ETP Common Units having an aggregate offering price of up to \$300.0 million. Sales of the units will be made by means of ordinary brokers' transactions on the NYSE at market prices, in block transactions or as otherwise agreed between ETP and UBS. Under the terms of this agreement, ETP may also sell ETP Common Units to UBS as principal for its own account at a price agreed upon at the time of sale. Any sale of ETP Common Units to UBS as principal would be pursuant to the terms of a separate agreement between ETP and UBS. During 2009, ETP issued 2,079,593 ETP Common Units pursuant to this agreement 1,891,691 of which have been settled as of December 31, 2009. The proceeds of approximately \$81.5 million, net of commissions, were used to repay amounts outstanding under the ETP Credit Facility.

As a result of ETP's issuance of ETP Common Units, we have recognized increases in partner's capital of \$97.0 million and \$48.8 million for the years ended December 31, 2009 and 2008, respectively, and \$48.9 million for the four months ended December 31, 2007.

#### **Contributions to Subsidiary**

The Parent Company indirectly owns the entire general partner interest in ETP through its ownership of ETP GP, the general partner of ETP. In order to maintain its general partner interest in ETP, ETP GP has previously been required to make contributions to ETP each time ETP issues limited partner interests for cash or in connection with acquisitions. These contributions are generally paid by offsetting the required contributions against the funds ETP GP receives from ETP distributions on the general partner and limited partner interests owned by ETP GP. ETP GP was required to contribute approximately \$12.3 million and \$8.0 million for the years ended December 31, 2009 and 2008, \$5.0 million for the four months ended December 31, 2007, and \$24.5 million for the year ended August 31, 2007, respectively. As of December 31, 2009, ETP GP has a contribution payable to ETP of \$8.9 million.

In July 2009, ETP amended and restated its partnership agreement, and as a result, ETP GP is no longer required to make corresponding contributions to maintain its general partner interest in ETP.

#### **Parent Company Quarterly Distributions of Available Cash**

Our distribution policy is consistent with the terms of our Partnership Agreement, which requires that we distribute all of our available cash quarterly. We currently have no independent operations outside of our interests in ETP.

Our only cash-generating assets currently consist of distributions from ETP related to the following limited and general partner interests, including incentive distribution rights in ETP:

- ETE's ownership of the general partner interest in ETP, which it holds through its ownership interests in ETP GP.
- 62,500,797 ETP Common Units, which ETE holds directly, representing approximately 35% of the total outstanding ETP Common Units as of December 31, 2009, and
- 100% of the incentive distribution rights in ETP, which ETE holds through its ownership interests in ETP GP and which entitle it to receive specified percentages of the cash distributed by ETP as ETP's per unit distribution increases. The Parent Company's incentive distribution rights entitle it to receive incentive distributions to the extent that quarterly distributions to ETP's Unitholders exceed \$0.275 per unit (\$1.10 per unit on an annualized basis). These incentive distributions entitle the Parent Company to increasing percentages of ETP's cash distributions based upon exceeding incentive distribution thresholds specified in ETP's Partnership Agreement, which incentive distribution rights entitle the Parent Company to receive 48% of ETP's cash distributions in excess of \$0.4125 per unit. At ETP's current distribution levels, the Parent Company is entitled to receive cash distributions at the highest incentive distribution level of 48% with respect to ETP's distributions in excess of \$0.4125 per unit.

Our distributions declared during the years ended December 31, 2009 and 2008, the four months ended December 31, 2007 and the year ended August 31, 2007 are summarized as follows:

	Record Date	Payment Date	Amount per Unit
<b>Calendar Year Ended December 31, 2009</b>	November 9, 2009	November 19, 2009	\$ 0.5350
	August 7, 2009	August 19, 2009	0.5350
	May 8, 2009	May 19, 2009	0.5250
	February 6, 2009	February 19, 2009	0.5100
<b>Calendar Year Ended December 31, 2008</b>	November 10, 2008	November 19, 2008	\$ 0.4800
	August 7, 2008	August 19, 2008	0.4800
	May 5, 2008	May 19, 2008	0.4400
	February 1, 2008 (1)	February 19, 2008	0.5500
<b>Transition Period Ended December 31, 2007</b>	October 5, 2007	October 19, 2007	\$ 0.3900
<b>Fiscal Year Ended August 31, 2007</b>	July 2, 2007	July 19, 2007	\$ 0.3725
	April 9, 2007	April 16, 2007	0.3560
	January 4, 2007	January 19, 2007	0.3400
	October 5, 2006	October 19, 2006	0.3125

- (1) One-time four month distribution – On January 18, 2008, our Board of Directors approved the management recommendation for a one-time four-month distribution for our Unitholders to complete the conversion to a calendar year end from the previous August 31 fiscal year end. ETE's distribution amount related to the four months ended December 31, 2007 was \$0.55 per Common Unit, representing a distribution of \$0.41 per unit for the three-month period and \$0.14 per unit for the additional month.

The total amount of distributions we have declared is as follows (all from Available Cash from our operating surplus and are shown in the period to which they relate):

	Years Ended December 31,		Four Months Ended	Year Ended
	2009	2008	December 31, 2007	August 31, 2007
Limited Partners -				
Common Units	\$ 475,911	\$ 425,640	\$ 122,556	\$ 294,175
Class B Units	-	-	-	857
Class C Units	-	-	-	28,261
General Partner	1,478	1,322	381	1,009
Total distributions declared	<u>\$ 477,389</u>	<u>\$ 426,962</u>	<u>\$ 122,937</u>	<u>\$ 324,302</u>

On January 28, 2010, the Parent Company declared a cash distribution for the fourth quarter ended December 31, 2009 of \$0.54 per Common Unit, or \$2.16 annualized. We paid this distribution on February 19, 2010 to Unitholders of record at the close of business on February 8, 2010.

#### ETP's Quarterly Distribution of Available Cash

ETP's Partnership Agreement requires that ETP distribute all of its Available Cash to its Unitholders and its General Partner within 45 days following the end of each fiscal quarter, subject to the payment of incentive distributions to the holders of IDRs to the extent that certain target levels of cash distributions are achieved. The term Available Cash generally means, with respect to any fiscal quarter of ETP, all cash on hand at the end of such quarter, plus working capital borrowings after the end of the quarter, less reserves established by its General Partner in its sole discretion to provide for the proper conduct of ETP's business, to comply with applicable laws or any debt instrument or other agreement, or to provide funds for future distributions to partners with respect to any one or more of the next four quarters. Available Cash is more fully defined in ETP's Partnership Agreement.

ETP's distributions declared during the periods presented below are summarized as follows:

	Record Date	Payment Date	Amount per Unit
<b>Calendar Year Ended December 31, 2009</b>	November 9, 2009	November 16, 2009	\$ 0.89375
	August 7, 2009	August 14, 2009	0.89375
	May 8, 2009	May 15, 2009	0.89375
	February 6, 2009	February 13, 2009	0.89375
<b>Calendar Year Ended December 31, 2008</b>	November 10, 2008	November 14, 2008	\$ 0.89375
	August 7, 2008	August 14, 2008	0.89375
	May 5, 2008	May 15, 2008	0.86875
	February 1, 2008 (1)	February 14, 2008	1.12500
<b>Transition Period Ended December 31, 2007</b>	October 5, 2007	October 15, 2007	\$ 0.82500
<b>Fiscal Year Ended August 31, 2007</b>	July 2, 2007	July 16, 2007	\$ 0.80625
	April 6, 2007	April 13, 2007	0.78750
	January 4, 2007	January 15, 2007	0.76875
	October 5, 2006	October 16, 2006	0.75000

- (1) One-time four month distribution – On January 18, 2008 ETP's Board of Directors approved the management recommendation for a one-time four-month distribution for ETP Unitholders to complete the conversion to a calendar year end from the previous August 31 fiscal year end. ETP's distribution amount related to the four months ended December 31, 2007 was \$1.125 per Common Unit, representing a distribution of \$0.84375 per unit for the three-month period and \$0.28125 per unit for the additional month.

The total amount of distributions the Parent Company received from ETP relating to its limited partner interests, general partner interests and incentive distribution rights of ETP are as follows (shown in the period to which they relate):

	Years Ended December 31,		Four Months Ended	Year Ended
	2009	2008	December 31, 2007	August 31, 2007
Limited Partners Interests	\$ 223,440	\$ 221,878	\$ 70,313	\$ 199,221
General Partner Interest	19,505	17,322	5,110	13,705
Incentive Distribution Rights	350,486	298,575	85,775	222,353
Total distributions received from ETP	\$ 593,431	\$ 537,775	\$ 161,198	\$ 435,279

The total amounts of ETP distributions declared during the periods presented in the consolidated financial statements are as follows (all from Available Cash from ETP's operating surplus and are shown in the period to which they relate):

	Years Ended December 31,		Four Months Ended	Year Ended
	2009	2008	December 31, 2007	August 31, 2007
Limited Partners -				
Common Units	\$ 629,263	\$ 537,731	\$ 160,672	\$ 396,095
Class E Units	12,484	12,484	3,121	12,484
Class G Units	-	-	-	40,598
General Partner Interest	19,505	17,322	5,110	13,705
Incentive Distribution Rights	350,486	298,575	85,775	222,353
	\$ 1,011,738	\$ 866,112	\$ 254,678	\$ 685,235

Upon their conversion to ETP Common Units, all the ETP Class G Units ceased to have the right to participate in ETP distributions of available cash from operating surplus as itemized above.

On January 28, 2010, ETP declared a cash distribution for the fourth quarter ended December 31, 2009 of \$0.89375 per Common Unit, or \$3.575 annualized. ETP paid this distribution on February 15, 2010 to Unitholders of record at the close of business on February 8, 2010.

#### Accumulated Other Comprehensive Income

The following table presents the components of AOCI, net of tax:

	December 31, 2009	December 31, 2008
Net gain on commodity related hedges	\$ 1,991	\$ 8,735
Net loss on interest rate hedges	(56,210)	(68,896)
Unrealized gains (losses) on available-for-sale securities	4,941	(5,983)
Noncontrolling interest	(4,350)	(1,681)
Total AOCI, net of tax	\$ (53,628)	\$ (67,825)

#### 8. UNIT-BASED COMPENSATION PLANS:

We recognized non-cash unit-based compensation expense related to the unit-based compensation plans of ETP and ETE of \$24.6 million and \$24.3 million for the years ended December 31, 2009 and 2008, \$8.1 million for the four months ended December 31, 2007, and \$10.5 million for the year ended August 31, 2007, respectively.

##### ETE Long-Term Incentive Plan

Concurrently with the IPO during the second quarter of fiscal year 2006, 2,521,570 Class B Units were issued to McReynolds Equity Partners, L.P., the general partner of which is owned and controlled by John W. McReynolds. On March 27, 2007, the Class B Units were converted to Common Units.

In addition, the Board of Directors or the Compensation Committee of the board of directors of the Partnership's general partner (the "Compensation Committee") may from time to time grant additional awards to employees, directors and consultants of ETE's general partner and its affiliates who perform services for ETE. The plan provides for the following five types of awards: restricted units, phantom units, unit options, unit appreciation rights and distribution equivalent rights. The number of additional units that may be delivered pursuant to these awards is limited to 3,000,000 units, excluding the Class B Units discussed above. As of December 31, 2009, 2,887,136 units remain available to be awarded under the plan.

During 2009 and 2008, the Compensation Committee granted a total of 41,000 and 65,000 ETE units with grant date fair values of \$16.64 and \$30.76 per unit, respectively, to employees with vesting over a five-year period at 20% per year. These awards include rights to distributions paid on unvested units.

On December 22, 2006, the Compensation Committee voted to award each ETE Director who is not also (i) a shareholder or a direct or indirect employee of any parent, or (ii) a direct or indirect employee of ETP LLC, ETP, or a subsidiary ("Director Participant"), who is then in office and, automatically on the first day of the fiscal year thereafter, an award of Units equal to \$15 thousand divided by the fair market value of ETE Common Units on such date ("Annual Director's Grant"). Each award to a Director Participant will vest at the rate of one third per year, beginning on the first anniversary date of the Award; provided however, notwithstanding the foregoing, all awards to a Director Participant shall become fully vested upon a change in control, as defined by the 2004 Unit Plan. During 2009, a total of 14,192 ETE units vested, with a total fair value of \$0.4 million. As of December 31, 2009, a total of 96,836 restricted units granted to ETE employees and directors remain outstanding, for which we expect to recognize a total of \$1.9 million in compensation over a weighted average period of 2.7 years.

##### ETP Unit-Based Compensation Plans

ETP has issued equity awards to employees and directors under the following plans:

- **2008 Long-Term Incentive Plan.** On December 16, 2008, ETP Unitholders approved the ETP 2008 Long-Term Incentive Plan (the “ETP 2008 Incentive Plan”), which provides for awards of options to purchase ETP Common Units, awards of restricted units, awards of phantom units, awards of Common Units, awards of distribution equivalent rights (“DERs”), awards of Common Unit appreciation rights, and other unit-based awards to employees of ETP, ETP GP, ETP LLC, a subsidiary or their affiliates, and members of ETP LLC’s board of directors, which we refer to as the board of directors. Up to 5,000,000 ETP Common Units may be granted as awards under the ETP 2008 Incentive Plan, with such amount subject to adjustment as provided for under the terms of the ETP 2008 Incentive Plan. The ETP 2008 Incentive Plan is effective until December 16, 2018 or, if earlier, the time which all available units under the ETP 2008 Incentive Plan have been issued to participants or the time of termination of the plan by the board of directors. As of December 31, 2009, a total of 4,213,111 ETP Common Units remain available to be awarded under the ETP 2008 Incentive Plan.
- **2004 Unit Plan.** ETP’s Amended and Restated 2004 Unit Award Plan (the “ETP 2004 Unit Plan”) provides for awards of up to 1,800,000 ETP Common Units and other rights to its employees, officers and directors. Any awards that are forfeited or which expire for any reason or any units, which are not used in the settlement of an award, will be available for grant under the ETP 2004 Unit Plan. As of December 31, 2009, 5,578 ETP Common Units were available for future grants under the ETP 2004 Unit Plan.

#### **ETP Employee Grants**

Prior to December 2007, substantially all of the awards granted to employees required the achievement of performance objectives in order for the awards to become vested. The expected life of each unit award subject to the achievement of performance objectives is assumed to be the minimum vesting period under the performance objectives of such unit award. Generally, each award was structured to provide that, if the performance objectives related to such award are achieved, one-third of the units subject to such award will vest each year over a three-year period with 100% of such one-third vesting if the total return for the ETP units for such year is in the top quartile as compared to a peer group of energy-related publicly traded limited partnerships determined by the Compensation Committee, 65% of such one-third vesting if the total return of the ETP units for such year is in the second quartile as compared to such peer group companies, and 25% of such one-third vesting if the total return of the ETP units for such year is in the third quartile as compared to such peer group companies. Total return is defined as the sum of the per unit price appreciation in the market price of the ETP units for the year plus the aggregate per unit cash distributions received for the year. Non-cash compensation expense is recorded for these ETP awards based upon the total awards granted over the required service period that are expected to vest based on the estimated level of achievement of performance objectives. As circumstances change, cumulative adjustments of previously-recognized compensation expense are recorded.

In October 2008, the Compensation Committee determined that, of the unit awards subject to the achievement of performance objectives, 25% of the ETP Common Units subject to such awards eligible to vest on September 1, 2007 became vested and 75% of the awards were forfeited based on ETP’s performance for the twelve-month period ended August 31, 2008. In October 2008, the Compensation Committee approved a special grant of the new unit awards that entitled each holder to receive a number of ETP Common Units equal to the number of ETP Common Units forfeited as of September 1, 2007, which new unit awards became fully vested on October 15, 2008. These Compensation Committee actions affected all ETP employee unit awards including unit awards granted to ETP’s executive officers.

Commencing in December 2007, ETP has also granted restricted unit awards to employees that vest over a specified time period, with vesting based on continued employment as of each applicable vesting date without regard to the satisfaction of any performance objectives. Upon vesting, ETP Common Units are issued. The unit awards under ETP’s equity incentive plans generally require the continued employment of the recipient during the vesting period; however, the Compensation Committee has complete discretion to accelerate the vesting of unvested unit awards.

In 2008 and 2009, the Compensation Committee approved the grant of new unit awards, which vest over a five-year period at 20% per year, subject to continued employment through each specified vesting date. These unit awards entitle the recipients of the unit awards to receive, with respect to each ETP Common Unit subject to such award that has not either vested or been forfeited, a cash payment equal to each cash distribution per ETP Common Unit made by ETP on its Common Units promptly following each such distribution by ETP to its Unitholders. We refer to these rights as “distribution equivalent rights.”



Prior to 2008 and 2009, units were generally awarded without distribution equivalent rights. For such awards, ETP calculated the grant-date fair value based on the market value of the underlying units, reduced by the present value of the distributions expected to be paid on the units during the requisite service period. The present value of expected service period distributions is computed based on the risk-free interest rate, the expected life of the unit grants and the distribution yield at that time.

#### Director Grants

Under ETP's equity incentive plans, ETP's non-employee directors each receive unvested ETP Common Units with a grant-date fair value of \$50,000 each year. These non-employee director grants vest ratably over three years and do not entitle the holders to receive distributions during the vesting period.

#### Award Activity

The following table shows the activity of the ETP awards granted to employees and non-employee directors:

	Number of Units	Weighted Average Grant-Date Fair Value Per Unit
Unvested awards as of December 31, 2008	1,372,568	\$ 36.83
Awards granted	763,190	43.56
Awards vested	(336,386)	36.02
Awards forfeited	(108,780)	39.17
Unvested awards as of December 31, 2009	<u>1,690,592</u>	<u>39.88</u>

The balance above for unvested awards as of December 31, 2008 includes 150,852 unit awards with a grant-date fair value of \$43.96 per unit, which were granted prior to 2008 and were subject to a performance condition, as described above. These remaining performance awards vested in 2009, and none of the unvested unit awards outstanding as of December 31, 2009 contain performance conditions.

During the years ended December 31, 2009 and 2008, the four months ended December 31, 2007 and the year ended August 31, 2007, the weighted average grant-date fair value per unit award granted was \$43.56, \$33.86, \$42.46 and \$43.73, respectively. The total fair value of awards vested was \$14.7 million, \$14.6 million, \$3.3 million and \$7.9 million, respectively based on the market price of ETP Common Units as of the vesting date. As of December 31, 2009, a total of 1,690,592 unit awards remain unvested, for which ETP expects to recognize a total of \$50.9 million in compensation expense over a weighted average period of 1.9 years.

#### Related Party Awards

McReynolds Energy Partners, L.P., the general partner of which is owned and controlled by an ETE officer, awarded to certain officers of ETP certain rights related to units of ETE previously issued by ETE to such officer. These rights include the economic benefits of ownership of these ETE units based on a five year vesting schedule whereby the officer will vest in the ETE units at a rate of 20% per year. As these ETE units are conveyed to the recipients of these awards upon vesting from a partnership that is not owned or managed by ETE or ETP, none of the costs related to such awards are paid by ETP or ETE unless this partnership defaults under its obligations pursuant to these unit awards. As these units were outstanding prior to these awards, these awards do not represent an increase in the number of outstanding units of either ETP or ETE and are not dilutive to cash distributions per unit with respect to either ETP or ETE.

During the years ended December 31, 2008 and August 31, 2007, unvested rights related to 450,000 ETE common units and 675,000 ETE common units, respectively, with aggregate grant-date fair values of \$10.3 million and \$23.5 million, respectively, were awarded to ETP officers. During the year ended December 31, 2008, unvested rights related to 240,000 ETE common units were forfeited. During the years ended December 31, 2009 and 2008 and the four months ended December 31, 2007, ETP officers vested in rights related to 165,000 ETE common units, 135,000 ETE common units, and 55,000 ETE common units, respectively, with aggregate fair values upon vesting of \$4.6 million, \$3.5 million, and \$1.9 million, respectively.

ETP is recognizing non-cash compensation expense over the vesting period based on the grant-date fair value of the ETE units awarded the ETP employees assuming no forfeitures. For the years ended December 31, 2009 and 2008, the four months ended December 31, 2007, and the fiscal year ended August 31, 2007, ETP recognized non-cash compensation expense, net of forfeitures, of \$6.4 million, \$3.5 million, \$3.6 million, and \$5.2 million, respectively, as a result of these awards.

As of December 31, 2009, rights related to 530,000 ETE common units remain outstanding, for which we expect to recognize a total of \$6.8 million in compensation expense over a weighted average period of 1.9 years

9. **INCOME TAXES:**

The components of the federal and state income tax provision (benefit) of our taxable subsidiaries are summarized as follows:

	Years Ended December 31,		Four Months Ended	Year Ended
	2009	2008	December 31, 2007	August 31, 2007
<b>Current provision:</b>				
Federal	\$ (8,850)	\$ (180)	\$ 2,990	\$ 7,896
State	9,657	12,241	5,831	10,432
Total	807	12,061	8,821	18,328
<b>Deferred provision:</b>				
Federal	8,643	(8,531)	516	(7,494)
State	(221)	278	612	557
Total	8,422	(8,253)	1,128	(6,937)
Total tax provision	\$ 9,229	\$ 3,808	\$ 9,949	\$ 11,391

On May 18, 2006, the State of Texas enacted House Bill 3, which replaced the existing state franchise tax with a "margin tax". In general, legal entities that conduct business in Texas are subject to the Texas margin tax, including previously non-taxable entities such as limited partnerships and limited liability partnerships. The tax is assessed on Texas sourced taxable margin, which is defined as the lesser of (i) 70% of total revenue or (ii) total revenue less (a) cost of goods sold or (b) compensation and benefits. Although the bill states that the margin tax is not an income tax, it has the characteristics of an income tax since it is determined by applying a tax rate to a base that considers both revenues and expenses. Therefore, we have accounted for Texas margin tax as income tax expense in the period subsequent to the law's effective date of January 1, 2007. For the years ended December 31, 2009 and 2008, the four months ended December 31, 2007, and the fiscal year ended August 31, 2007, we recognized current state income tax expense related to the Texas margin tax of \$8.5 million, \$10.5 million, \$3.9 million and \$6.9 million, respectively.

The effective tax rate differs from the statutory rate due primarily to Partnership earnings that are not subject to federal and state income taxes at the Partnership level. The difference between the statutory rate and the effective rate is summarized as follows:

	Years Ended December 31,		Four Months Ended	Year Ended
	2009	2008	December 31, 2007	August 31, 2007
Federal statutory tax rate	35.00%	35.00%	35.00%	35.00%
State income tax rate net of federal benefit	1.08%	1.59%	2.57%	1.25%
Earnings not subject to tax at the Partnership level	(34.77%)	(36.03%)	(32.41%)	(34.23%)
Effective tax rate	1.31%	0.56%	5.16%	2.02%

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The components of the deferred tax liability were as follows:

	December 31, 2009	December 31, 2008
Property, plant and equipment	\$ 204,083	\$ 199,306
Other, net	(863)	(3,846)
Total deferred tax liability	203,220	195,460
Less current deferred tax asset (liability)	1,153	(589)
Total long-term deferred tax liability	\$ 204,373	\$ 194,871

**10. MAJOR CUSTOMERS AND SUPPLIERS:**

Our major customers are in the natural gas operations segments. Our natural gas operations have a concentration of customers in natural gas transmission, distribution and marketing, as well as industrial end-users while our NGL operations have a concentration of customers in the refining and petrochemical industries. These concentrations of customers may impact our overall exposure to credit risk, either positively or negatively. Management believes that our portfolio of accounts receivable is sufficiently diversified to minimize any potential credit risk. No single customer accounted for 10% or more of our consolidated revenue.

We had gross segment purchases as a percentage of total purchases from major suppliers as follows:

	Years Ended December 31,		Four Months Ended December 31,	Year Ended August 31,
	2009	2008	2007	2007
<b>Propane segments</b>				
Unaffiliated:				
M.P. Oils, Ltd.	15.1%	14.9%	14.2%	20.7%
Targa Liquids	14.3%	15.0%	15.9%	22.6%
Affiliated:				
Enterprise	50.3%	50.7%	50.6%	22.1%

Enterprise GP Holdings, L.P. and its subsidiaries ("Enterprise" or "EPE") became related parties on May 7, 2007, as discussed in Note 14. Titan purchases the majority of its propane from Enterprise pursuant to an agreement that expires in March 2010 and contains renewal and extension options.

We sold our investment in M-P Energy in October 2007. In connection with the sale, we executed a propane purchase agreement for approximately 90.0 million gallons per year through 2015 at market prices plus a nominal fee.

This concentration of suppliers may impact our overall operations either positively or negatively. However, management believes that the diversification of suppliers is sufficient to enable us to purchase all of our supply needs at market prices without a material disruption of operations if supplies are interrupted from any of our existing sources. Although no assurances can be given that supplies of natural gas, propane and NGLs will be readily available in the future, we expect a sufficient supply to continue to be available.

**11. REGULATORY MATTERS, COMMITMENTS, CONTINGENCIES, AND ENVIRONMENTAL LIABILITIES:**

**Regulatory Matters**

In August 2009, we filed an application for FERC authority to construct and operate the Tiger pipeline. Approval from the FERC is still pending.

On September 29, 2006, Transwestern filed revised tariff sheets under Section 4(e) of the Natural Gas Act ("NGA") proposing a general rate increase to be effective on November 1, 2006. In April 2007, the FERC approved a Stipulation and Agreement of Settlement that resolved the primary components of the rate case. Transwestern's tariff rates and fuel rates are now final for the period of the settlement. Transwestern is required to file a new rate case no later than October 1, 2011.

The Phoenix project, as filed with the FERC on September 15, 2006, includes the construction and operation of approximately 260 miles of 36-inch or larger diameter pipeline extending from Transwestern's existing mainline in Yavapai County, Arizona to delivery points in the Phoenix, Arizona area and certain looping on Transwestern's existing San Juan Lateral with approximately 25 miles of 36-inch diameter pipeline. On November 15, 2007, the FERC issued an order granting Transwestern its Certificate of Public Convenience and Necessity ("Order"). Pursuant to the Order, Transwestern filed its initial Implementation Plan on November 14, 2007 and accepted the Order on November 19, 2007. The San Juan Lateral portion of the project was placed in service effective July 2008 and the pipeline to the Phoenix area was placed in service effective March 2009.

## **Guarantees**

### ***MEP Guarantee***

ETP has guaranteed 50% of the obligations of MEP under its senior revolving credit facility (the "MEP Facility"), with the remaining 50% of MEP Facility obligations guaranteed by KMP. Subject to certain exceptions, ETP's guarantee may be proportionately increased or decreased if its ownership percentage increases or decreases. The MEP Facility is unsecured and matures on February 28, 2011. Amounts borrowed under the MEP Facility bear interest at a rate based on either a Eurodollar rate or a prime rate. The commitment fee payable on the unused portion of the MEP Facility varies based on both our credit rating and that of KMP, with a maximum fee of 0.15%. The MEP Facility contains covenants that limit (subject to certain exceptions) MEP's ability to grant liens, incur indebtedness, engage in transactions with affiliates, enter into restrictive agreements, enter into mergers, or dispose of substantially all of its assets.

The commitment amount under the MEP Facility was originally \$1.4 billion. In September 2009, MEP issued senior notes totaling \$800.0 million, the proceeds of which were used to repay borrowings under the MEP Facility. The senior notes issued by MEP are not guaranteed by ETP or KMP. In October 2009, the members made additional capital contributions to MEP, which MEP used to further reduce the outstanding borrowings under the MEP Facility. Subsequent to this repayment, the commitment amount under the MEP Facility was reduced from \$1.4 billion to \$275.0 million.

As of December 31, 2009, MEP had \$29.5 million of outstanding borrowings and \$33.3 million of letters of credit issued under the MEP Facility. ETP's contingent obligations with respect to its 50% guarantee of MEP's outstanding borrowings and letters of credit were \$14.7 million and \$16.6 million, respectively, as of December 31, 2009. The weighted average interest rate on the total amount outstanding as of December 31, 2009 was 3.3%.

### ***FEP Guarantee***

On November 13, 2009, FEP entered into a credit agreement that provides for a \$1.1 billion senior revolving credit facility (the "FEP Facility"). ETP has guaranteed 50% of the obligations of FEP under the FEP Facility, with the remaining 50% of FEP Facility obligations guaranteed by KMP. Subject to certain exceptions, ETP's guarantee may be proportionately increased or decreased if ETP's ownership percentage increases or decreases. The FEP Facility is available through May 11, 2012. Amounts borrowed under the FEP Facility bear interest at a rate based on either a Eurodollar rate or prime rate. The commitment fee payable on the unused portion of the FEP Facility varies based on both our credit rating and that of KMP, with a maximum fee of 1.0%.

As of December 31, 2009, FEP had \$355.0 million of outstanding borrowings issued under the FEP Facility. ETP's contingent obligation with respect to its 50% guarantee of FEP's outstanding borrowings was \$177.5 million as of December 31, 2009. The weighted average interest rate on the total amount outstanding as of December 31, 2009 was 3.2%.

## **Commitments**

In the normal course of our business, we purchase, process and sell natural gas pursuant to long-term contracts and enter into long-term transportation and storage agreements. Such contracts contain terms that are customary in the industry. We have also entered into several propane purchase and supply commitments, which are typically one year agreements with varying terms as to quantities, prices and expiration dates.

We have certain non-cancelable leases for property and equipment, which require fixed monthly rental payments and expire at various dates through 2034. Rental expense under these operating leases has been included in operating expenses in the accompanying statements of operations and totaled approximately \$19.8 million, \$17.2 million, \$9.4 million and \$33.2 million for the years ended December 31, 2009 and 2008, the four months ended December 31, 2007 and the fiscal year ended August 31, 2007, respectively.

Future minimum lease commitments for such leases are:

2010	\$	27,216
2011		24,786
2012		22,522
2013		20,385
2014		17,907
Thereafter		214,088

We have forward commodity contracts, which are expected to be settled by physical delivery. Short-term contracts, which expire in less than one year require delivery of up to 390,564 MMBtu/d. Long-term contracts require delivery of up to 125,551 MMBtu/d and extend through May 2014.

During fiscal year 2007, we entered into a long-term agreement with CenterPoint Energy Resources Corp ("CenterPoint") to provide the natural gas utility with firm transportation and storage services on our HPL System located along the Texas gulf coast region. Under the terms of the agreements, CenterPoint has contracted for 129 Bcf per year of firm transportation capacity combined with 10 Bcf of working gas storage capacity in our Bammel storage facility.

We have a transportation agreement with TXU Portfolio Management Company, LP ("TXU Shipper") to transport a minimum of 100,000 MMBtu per year through 2012. We also have two natural gas storage agreements with TXU Shipper to store gas at two natural gas facilities that are part of the ET Fuel System that expire in 2012. As of December 31, 2009 and 2008 and August 31, 2007, respectively, the Partnership was entitled to receive additional fees for the difference between actual volumes transported by TXU Shipper on the ET Fuel System and the minimum amount as stated above during the twelve-month periods ended each May 31st. As a result, the Partnership recognized approximately \$11.7 million, \$10.7 million and \$10.8 million in additional fees during the second quarter of 2008 and the third fiscal quarter of 2007, respectively.

We have signed long-term agreements with several parties committing firm transportation volumes into the East Texas pipeline. Those commitments include an agreement with XTO Energy Inc. ("XTO") to deliver approximately 200,000 MMBtu/d of natural gas into the pipeline that expires in June 2012. Exxon Mobil Corporation ("ExxonMobil") and XTO announced an agreement whereby ExxonMobil will acquire XTO. The pending acquisition, expected to be completed in the second quarter of 2010, is not expected to result in any changes to these commitments.

We also have two long-term agreements committing firm transportation volumes on certain of our transportation pipelines. The two contracts require an aggregated capacity of approximately 238,000 MMBtu/d of natural gas and extend through 2011.

Titan has a purchase contract with Enterprise (see Note 14) to purchase the majority of Titan's propane requirements. The contract continues until March 2010 and contains renewal and extension options. The contract contains various service level agreements between the parties.

In connection with the sale of ETP's investment in M-P Energy in October 2007, ETP executed a propane purchase agreement for approximately 90.0 million gallons per year through 2015 at market prices plus a nominal fee.

#### **Litigation and Contingencies**

We may, from time to time, be involved in litigation and claims arising out of our operations in the normal course of business. Natural gas and propane are flammable, combustible gases. Serious personal injury and significant property damage can arise in connection with their transportation, storage or use. In the ordinary course of business, we are sometimes threatened with or named as a defendant in various lawsuits seeking actual and punitive damages for product liability, personal injury and property damage. We maintain liability insurance with insurers in amounts and with coverages and deductibles management believes are reasonable and prudent, and which are generally accepted in the industry. However, there can be no assurance that the levels of insurance protection currently in effect will continue to be available at reasonable prices or that such levels will remain adequate to protect us from material expenses related to product liability, personal injury or property damage in the future.

**FERC/CFTC and Related Matters.** On July 26, 2007, the FERC issued to ETP an Order to Show Cause and Notice of Proposed Penalties (the "Order and Notice") that contains allegations that ETP violated FERC rules and regulations. The FERC alleged that ETP engaged in manipulative or improper trading activities in the Houston Ship Channel, primarily on two dates during the fall of 2005 following the occurrence of Hurricanes Katrina and Rita, as well as on eight other occasions from December 2003 through August 2005, in order to benefit financially from ETP's commodities derivatives positions and from certain of ETP's index-priced physical gas purchases in the Houston Ship Channel. The FERC alleged that during these periods ETP violated the FERC's then-effective Market Behavior Rule 2, an anti-market manipulation rule promulgated by the FERC under authority of the Natural Gas Act ("NGA"). The FERC alleges that ETP violated this rule by artificially suppressing prices that were included in the Platts Inside FERC Houston Ship Channel index, published by McGraw-Hill Companies, on which the pricing of many physical natural gas contracts and financial derivatives are based. In its Order and Notice, the FERC also alleged that ETP manipulated daily prices at the Waha and Permian Hubs in west Texas on two dates. The FERC also alleged that one of our intrastate pipelines violated various FERC regulations by, among other things, granting undue preferences in favor of an affiliate. In its Order and Notice, the FERC specified that it was seeking \$69.9 million in disgorgement of profits, plus interest, and \$82.0 million in civil penalties relating to these market manipulation claims. The FERC specified that it was also seeking to revoke, for a period of 12 months, ETP's blanket marketing authority for sales of natural gas in interstate commerce at market-based prices. In February 2008, the FERC's Enforcement Staff also recommended that the FERC pursue market manipulation claims related to ETP's trading activities in October 2005 for November 2005 monthly deliveries, a period not previously covered by the FERC's allegations in the Order and Notice, and that ETP be assessed an additional civil penalty of \$25.0 million and be required to disgorge approximately \$7.3 million of alleged unjust profits related to this additional month.

On August 26, 2009, ETP entered into a settlement agreement with the FERC's Enforcement Staff with respect to the pending FERC claims against ETP and, on September 21, 2009, the FERC approved the settlement agreement without modification. The agreement settles all outstanding FERC claims against ETP and provides that ETP make a \$5.0 million payment to the federal government and establish a \$25.0 million fund for the purpose of settling related third-party claims against ETP, including existing litigation claims as well as any new claims that may be asserted against this fund. Administrative law judge appointed by the FERC will determine the validity of any third party claim against this fund. Any party who receives money from this fund will be required to waive all claims against ETP related to this matter. Pursuant to the settlement agreement, the FERC made no findings of fact or conclusions of law. In addition, the settlement agreement specifies that by exceeding the settlement agreement, ETP does not admit or concede to the FERC or any third party any actual or potential fault, wrongdoing or liability in connection with ETP's alleged conduct related to the FERC claims. The settlement agreement also requires ETP to maintain specified compliance programs and to conduct independent annual audits of such programs for a two-year period.

We made the \$5.0 million payment and established the \$25.0 million fund in October 2009. The allocation of the \$25.0 million fund is expected to be determined in 2010.

In addition to the FERC legal action, third parties have asserted claims and may assert additional claims against us and ETP alleging damages related to these matters. In this regard, several natural gas producers and a natural gas marketing company have initiated legal proceedings in Texas state courts against us and ETP for claims related to the FERC claims. These suits contain contract and tort claims relating to alleged manipulation of natural gas prices at the Houston Ship Channel and the Waha Hub in West Texas, as well as the natural gas price indices related to these markets and the Permian Basin natural gas price index during the period from December 2003 through December 2006, and seek unspecified direct, indirect, consequential and exemplary damages. One of the suits against us and ETP contains an additional allegation that we and ETP transported gas in a manner that favored our affiliates and discriminated against the plaintiff, and otherwise artificially affected the market price of gas to other parties in the market. We have moved to compel arbitration and/or contested subject-matter jurisdiction in some of these cases. In one of these cases, the Texas Supreme Court ruled on July 3, 2009 that the state district court erred in ruling that a plaintiff was entitled to pre-arbitration discovery and therefore remanded to the state district court with a direction to rule on our original motion to compel arbitration pursuant to the terms of the arbitration clause in a natural gas contract between us and the plaintiff. This plaintiff has filed a motion with the Texas Supreme Court requesting a rehearing of the ruling.

ETP has also been served with a complaint from an owner of royalty interests in natural gas producing properties, individually and on behalf of a putative class of similarly situated royalty owners, working interest owners and producer/operators, seeking arbitration to recover damages based on alleged manipulation of natural gas prices at the Houston Ship Channel. ETP filed an original action in Harris County state court seeking a stay of the arbitration on the ground that the action is not arbitrable, and the state court granted our motion for summary judgment on that issue. This action is currently on appeal before the First Court of Appeals, Houston, Texas.

A consolidated class action complaint has been filed against ETP in the United States District Court for the Southern District of Texas. This action alleges that ETP engaged in intentional and unlawful manipulation of the price of natural gas futures and options contracts on the NYMEX in violation of the Commodity Exchange Act ("CEA"). It is further alleged that during the class period December 29, 2003 to December 31, 2005, ETP had the market power to manipulate index prices, and that ETP used this market power to artificially depress the index prices at major natural gas trading hubs, including the Houston Ship Channel, in order to benefit ETP's natural gas physical and financial trading positions, and that ETP intentionally submitted price and volume trade information to trade publications. This complaint also alleges that ETP violated the CEA by knowingly aiding and abetting violations of the CEA. The plaintiffs state that this allegedly unlawful depression of index prices by ETP manipulated the NYMEX prices for natural gas futures and options contracts to artificial levels during the class period, causing unspecified damages to the plaintiffs and all other members of the putative class who sold natural gas futures or who purchased and/or sold natural gas options contracts on NYMEX during the class period. The plaintiffs have requested certification of their suit as a class action and seek unspecified damages, court costs and other appropriate relief. On January 14, 2008, ETP filed a motion to dismiss this suit on the grounds of failure to allege facts sufficient to state a claim. On March 20, 2008, the plaintiffs filed a second consolidated class action complaint. In response to this new pleading, on May 5, 2008, ETP filed a motion to dismiss the complaint. On March 26, 2009, the court issued an order dismissing the complaint, with prejudice, for failure to state a claim. On April 9, 2009, the plaintiffs moved for reconsideration of the order dismissing the complaint, and on August 26, 2009, the court denied the plaintiffs' motion for reconsideration. On September 28, 2009, these decisions were appealed by the plaintiffs to the United States Court of Appeals for the 5th Circuit.

On March 17, 2008, a second class action complaint was filed against ETP in the United States District Court for the Southern District of Texas. This action alleges that ETP engaged in unlawful restraint of trade and intentional monopolization and attempted monopolization of the market for fixed-price natural gas baseload transactions at the Houston Ship Channel from December 2003 through December 2005 in violation of federal antitrust law. The complaint further alleges that during this period ETP exerted monopoly power to suppress the price for these transactions to non-competitive levels in order to benefit ETP's own physical natural gas positions. The plaintiff has, individually and on behalf of all other similarly situated sellers of physical natural gas, requested certification of its suit as a class action and seeks unspecified treble damages, court costs and other appropriate relief. On May 19, 2008, ETP filed a motion to dismiss this complaint. On March 26, 2009, the court issued an order dismissing the complaint. The court found that the plaintiffs failed to state a claim on all causes of action and for anti-trust injury, but granted leave to amend. On April 23, 2009, the plaintiffs filed a motion for leave to amend to assert a claim for common law fraud and attached a proposed amended complaint as an exhibit. ETP opposed the motion and cross-moved to dismiss. On August 7, 2009, the court denied the plaintiff's motion and granted ETP's motion to dismiss the complaint. On September 10, 2009, this decision was appealed by the plaintiff to the United States Court of Appeals for the 5th Circuit.

ETP is expensing the legal fees, consultants' fees and other expenses relating to these matters in the periods in which such costs are incurred. ETP records accruals for litigation and other contingencies whenever required by applicable accounting standards. Based on the terms of the settlement agreement with the FERC described above, we made the \$5.0 million payment and established the \$25.0 million fund in October 2009. While ETP expects the after-tax cash impact of the settlement to be less than \$30.0 million due to tax benefits resulting from the portion of the payment that is used to satisfy third party claims, ETP may not be able to realize such tax benefits. Although this payment covers the \$25.0 million required by the settlement agreement to be applied to resolve third party claims, including the existing third party litigation described above, it is possible that the amount ETP becomes obliged to pay to resolve third party litigation related to these matters, whether on a negotiated settlement basis or otherwise, will exceed the amount of the payment related to these matters. In accordance with applicable accounting standards, ETP will review the amount of their accrual related to these matters as developments related to these matters occur and ETP will adjust their accrual if ETP determines that it is probable that the amount ETP may ultimately become obliged to pay as a result of the final resolution of these matters is greater than the amount of ETP's accrual for these matters. As ETP's accrual amounts are non-cash, any cash payment of an amount in resolution of these matters would likely be made from cash from operations or borrowings, which payments would reduce ETP's cash available to service ETP's indebtedness either directly or as a result of increased principal and interest payments necessary to service any borrowings incurred to finance such payments. If these payments are substantial, ETP may experience a material adverse impact on its results of operations and its liquidity.

In re Natural Gas Royalties Qui Tam Litigation. MDL Docket No. 1293 (D. WY). Jack Grynberg, an individual, has filed actions against a number of companies, including Transwestern, now transferred to the U.S. District Court for the District of Wyoming, for damages for mis-measurement of gas volumes and Btu content, resulting in lower royalties to mineral interest owners. On October 20, 2006, the District Judge adopted in part the earlier recommendation of the Special Master in the case and ordered the dismissal of the case against Transwestern. Transwestern believes that its measurement practices conformed to the terms of its FERC Gas Tariff, which were filed with and approved by the FERC. As a result, Transwestern believes that it has meritorious defenses to these lawsuits (including FERC-related affirmative defenses, such as the filed rate/tariff doctrine, the primary/exclusive jurisdiction of the FERC, and the defense that Transwestern complied with the terms of its tariffs) and will continue to vigorously defend against them, including any appeal which may be taken from the dismissal of the Grynberg case. A hearing was held on April 24, 2007 regarding Transwestern's Supplemental Brief for Attorneys' fees, which was filed on January 8, 2007, and the issues are submitted and are awaiting a decision. Grynberg moved to have the cases he appealed remanded to the district court for consideration in light of a recently-issued Supreme Court case. The defendants/appellees opposed the motion. The Tenth Circuit motions panel referred the remand motion to the merits panel to be carried with the appeals. Grynberg's opening brief was filed on or about July 31, 2007. Appellee's opposition brief was filed on or about November 21, 2007. Appellee Transwestern filed its separate response brief on January 11, 2008 and Grynberg's reply brief was filed in June 2008 and the hearing on all briefs was held in September 2008. On March 17, 2009, the Tenth Circuit affirmed the District Court's dismissal. Appellant sought appellate rehearing on the matter and the petition for rehearing was denied on May 4, 2009. A petition for writ of certiorari was filed by the Appellant on August 3, 2009, and the Supreme Court denied the petition for writ of certiorari on October 5, 2009. We do not believe the outcome of this case will have a material adverse effect on our financial position, results of operations or cash flows.

Houston Pipeline Cushion Gas Litigation. At the time of the HPL System acquisition, AEP Energy Services Gas Holding Company II, L.L.C., HPL Consolidation LP and its subsidiaries (the "HPL Entities"), their parent companies and American Electric Power Corporation ("AEP"), were engaged in ongoing litigation with Bank of America ("B of A") that related to AEP's acquisition of HPL in the Enron bankruptcy and B of A's financing of cushion gas stored in the Bammel storage facility ("Cushion Gas"). This litigation is referred to as the ("Cushion Gas Litigation"). Under the terms of the Purchase and Sale Agreement and the related Cushion Gas Litigation Agreement, AEP and its subsidiaries that were the sellers of the HPL Entities retained control of the Cushion Gas Litigation and have agreed to indemnify ETC OLP and the HPL Entities for any damages arising from the Cushion Gas Litigation and the loss of use of the Cushion Gas, up to a maximum of the amount paid by ETC OLP for the HPL Entities and the working gas inventory (approximately \$1.00 billion in the aggregate). The Cushion Gas Litigation Agreement terminates upon final resolution of the Cushion Gas Litigation. In addition, under the terms of the Purchase and Sale Agreement, AEP retained control of additional matters relating to ongoing litigation and environmental remediation and agreed to bear the costs of or indemnify ETC OLP and the HPL Entities for the costs related to such matters. On December 18, 2007, the United States District Court for the Southern District of New York held that B of A is entitled to receive monetary damages from AEP and the HPL Entities of approximately \$347.3 million less the monetary amount B of A would have incurred to remove 55 Bcf of natural gas from the Bammel storage facility. AEP is appealing the court decision. Based on the indemnification provisions of the Cushion Gas Litigation Agreement, ETP does not expect that it will be liable for any portion of this court award.



**Other Matters.** In addition to those matters described above, we or our subsidiaries are a party to various legal proceedings and/or regulatory proceedings incidental to our businesses. For each of these matters, we evaluate the merits of the case, our exposure to the matter, possible legal or settlement strategies, the likelihood of an unfavorable outcome and the availability of insurance coverage. If we determine that an unfavorable outcome of a particular matter is probable, can be estimated and is not covered by insurance, we make an accrual for the matter. For matters that are covered by insurance, we accrue the related deductible. As of December 31, 2009 and 2008, accruals of approximately \$11.1 million and \$8.5 million, respectively, were recorded related to deductibles. As new information becomes available, our estimates may change. The impact of these changes may have a significant effect on our results of operations in a single period.

The outcome of these matters cannot be predicted with certainty and it is possible that the outcome of a particular matter will result in the payment of an amount in excess of the amount accrued for the matter. As our accrual amounts are non-cash, any cash payment of an amount in resolution of a particular matter would likely be made from cash from operations or borrowings. If cash payments to resolve a particular matter substantially exceed our accrual for such matter, we may experience a material adverse impact on our results of operations, cash available for distribution and our liquidity.

As of December 31, 2008, an accrual of \$21.0 million was recorded as accrued and other current liabilities and other non-current liabilities on our consolidated balance sheets for our contingencies and current litigation matters, excluding accruals related to environmental matters, and we did not have any such accruals as of December 31, 2009.

#### **Environmental Matters**

Our operations are subject to extensive federal, state and local environmental laws and regulations that require expenditures for remediation at operating facilities and waste disposal sites. Although we believe our operations are in substantial compliance with applicable environmental laws and regulations, risks of additional costs and liabilities are inherent in the natural gas pipeline and processing business, and there can be no assurance that significant costs and liabilities will not be incurred. Moreover, it is possible that other developments, such as increasingly stringent environmental laws, regulations and enforcement policies thereunder, and claims for damages to property or persons resulting from the operations, could result in substantial costs and liabilities. Accordingly, we have adopted policies, practices and procedures in the areas of pollution control, product safety, occupational health, and the handling, storage, use, and disposal of hazardous materials to prevent material environmental or other damage, and to limit the financial liability, which could result from such events. However, some risk of environmental or other damage is inherent in the natural gas pipeline and processing business, as it is with other entities engaged in similar businesses.

Transwestern conducts soil and groundwater remediation at a number of its facilities. Some of the clean up activities include remediation of several compressor sites on the Transwestern system for contamination by polychlorinated biphenyls ("PCBs") and the costs of this work are not eligible for recovery in rates. The total accrued future estimated cost of remediation activities expected to continue through 2018 is \$8.6 million. Transwestern received FERC approval for rate recovery of projected soil and groundwater remediation costs not related to PCBs effective April 1, 2007.

Transwestern, as part of ongoing arrangements with customers, continues to incur costs associated with containing and removing potential PCBs. Future costs cannot be reasonably estimated because remediation activities are undertaken as potential claims are made by customers and former customers. However, such future costs are not expected to have a material impact on our financial position, results of operations or cash flows.

Environmental regulations were recently modified for the EPA's Spill Prevention, Control and Countermeasures ("SPCC") program. We are currently reviewing the impact to our operations and expect to expend resources on tank integrity testing and any associated corrective actions as well as potential upgrades to containment structures. Costs associated with tank integrity testing and resulting corrective actions cannot be reasonably estimated at this time, but we believe such costs will not have a material adverse effect on our financial position, results of operations or cash flows.

In July 2001, HOLP acquired a company that had previously received a request for information from the U.S. Environmental Protection Agency (the "EPA") regarding potential contribution to a widespread groundwater contamination problem in San Bernardino, California, known as the Newmark Groundwater Contamination. Although the EPA has indicated that the groundwater contamination may be attributable to releases of solvents from a former military base located within the subject area that occurred long before the facility acquired by HOLP was constructed, it is possible that the EPA may seek to recover all or a portion of groundwater remediation costs from private parties under the Comprehensive Environmental Response, Compensation, and Liability Act (commonly called Superfund). We have not received any follow-up correspondence from the EPA on the matter since our acquisition of the predecessor company in 2001. Based upon information currently available to HOLP, it is believed that HOLP's liability if such action were to be taken by the EPA would not have a material adverse effect on our financial condition or results of operations.

Petroleum-based contamination or environmental wastes are known to be located on or adjacent to six sites on which HOLP presently has, or formerly had, retail propane operations. These sites were evaluated at the time of their acquisition. In all cases, remediation operations have been or will be undertaken by others, and in all six cases, HOLP obtained indemnification rights for expenses associated with any remediation from the former owners or related entities. We have not been named as a potentially responsible party at any of these sites, nor have our operations contributed to the environmental issues at these sites. Accordingly, no amounts have been recorded in our December 31, 2009 or our December 31, 2008 consolidated balance sheets. Based on information currently available to us, such projects are not expected to have a material adverse effect on our financial condition or results of operations.

Environmental exposures and liabilities are difficult to assess and estimate due to unknown factors such as the magnitude of possible contamination, the timing and extent of remediation, the determination of our liability in proportion to other parties, improvements in cleanup technologies and the extent to which environmental laws and regulations may change in the future. Although environmental costs may have a significant impact on the results of operations for any single period, we believe that such costs will not have a material adverse effect on our financial position.

As of December 31, 2009 and 2008, accruals on an undiscounted basis of \$12.6 million and \$13.3 million, respectively, were recorded in our consolidated balance sheets as accrued and other current liabilities and other non-current liabilities to cover material environmental liabilities related to certain matters assumed in connection with the HPL acquisition, the Transwestern acquisition, and the potential environmental liabilities for three sites that were formerly owned by Titan or its predecessors.

Based on information available at this time and reviews undertaken to identify potential exposure, we believe the amount reserved for all of the above environmental matters is adequate to cover the potential exposure for clean-up costs.

ETP's pipeline operations are subject to regulation by the U.S. Department of Transportation ("DOT") under the Pipeline Hazardous Materials Safety Administration ("PHMSA"), pursuant to which the PHMSA has established requirements relating to the design, installation, testing, construction, operation, replacement and management of pipeline facilities. Moreover, the PHMSA, through the Office of Pipeline Safety, has promulgated a rule requiring pipeline operators to develop integrity management programs to comprehensively evaluate their pipelines, and take measures to protect pipeline segments located in what the rule refers to as ("high consequence areas"). Activities under these integrity management programs involve the performance of internal pipeline inspections, pressure testing, or other effective means to assess the integrity of these regulated pipeline segments, and the regulations require prompt action to address integrity issues raised by the assessment and analysis. For the years ended December 31, 2009 and 2008, \$31.4 million and \$23.3 million, respectively, of capital costs and \$18.5 million and \$13.1 million, respectively, of operating and maintenance costs have been incurred for pipeline integrity testing. Integrity testing and assessment of all of these assets will continue, and the potential exists that results of such testing and assessment could cause ETP to incur even greater capital and operating expenditures for repairs or upgrades deemed necessary to ensure the continued safe and reliable operation of its pipelines.

12. **PRICE RISK MANAGEMENT ASSETS AND LIABILITIES:**

See Note 2 for further discussion of our accounting for derivative instruments and hedging activities.

**Commodity Price Risk**

The following table details the outstanding commodity-related derivatives:

	Commodity	December 31, 2009		December 31, 2008	
		Notional Volume		Notional Volume	
		MMBtu	Maturity	MMBtu	Maturity
<b>Mark to Market Derivatives</b>					
Basis Swaps IFERC/NYMEX	Gas	72,325,000	2010-2011	15,720,000	2009-2011
Swing Swaps IFERC	Gas	(38,935,000)	2010	(58,045,000)	2009
Fixed Swaps/Futures	Gas	4,852,500	2010-2011	(20,880,000)	2009-2010
Options - Puts	Gas	2,640,000	2010	-	N/A
Options - Calls	Gas	(2,640,000)	2010	-	N/A
Forwards/Swaps - in Gallons	Propane	6,090,000	2010	47,313,002	2009
<b>Fair Value Hedging Derivatives</b>					
Basis Swaps IFERC/NYMEX	Gas	(22,625,000)	2010	-	N/A
Fixed Swaps/Futures	Gas	(27,300,000)	2010	-	N/A
Hedged Item - Inventory	Gas	27,300,000	2010	-	N/A
<b>Cash Flow Hedging Derivatives</b>					
Basis Swaps IFERC/NYMEX	Gas	(13,225,000)	2010	(9,085,000)	2009
Fixed Swaps/Futures	Gas	(22,800,000)	2010	(9,085,000)	2009
Forwards/Swaps - in Gallons	Propane/Ethane	20,538,000	2010	-	N/A

We expect gains of \$2.0 million related to commodity derivatives to be reclassified into earnings over the next year related to amounts currently reported in AOCI. The amount ultimately realized, however, will differ as commodity prices change and the underlying physical transaction occurs.

As of July 2008, we no longer engage in the trading of commodity derivative instruments that are not substantially offset by physical or other commodity derivative positions. As a result, we no longer have any material exposure to market risk from such activities. The derivative contracts that were previously entered into for trading purposes were recognized in the consolidated balance sheets at fair value, and changes in the fair value of these derivative instruments are recognized in revenue in the consolidated statements of operations on a net basis. Trading activities, including trading of physical gas and financial derivative instruments, resulted in net losses of approximately \$26.2 million for the year ended December 31, 2008, net losses of approximately \$2.3 million for the four-month transition period ended December 31, 2007 and net gains of approximately \$2.2 million for the fiscal year ended August 31, 2007. There were no gains or losses associated with trading activities during the year ended December 31, 2009.

**Interest Rate Risk**

We are exposed to market risk for changes in interest rates. We manage a portion of our current and future interest rate exposures by utilizing interest rate swaps. We have the following interest rate swaps outstanding as of December 31, 2009:

- Interest rate swaps with a notional amount of \$300.0 million to pay an average fixed rate of 5.20% and receive a floating rate based on LIBOR. These swaps settle in May 2016;
- Interest rate swaps with a notional amount of \$500.0 million to pay a fixed rate of 4.57% and receive a floating rate based on LIBOR. These swaps settle in November 2012 with a cancellable option in November 2010; and,

Interest rate swaps with a notional amount of \$700.0 million to pay an average fixed rate of 4.84% and receive a floating rate based on LIBOR. These swaps settle in November 2012.

In January 2010, we entered into interest rate swaps with notional amounts of \$350.0 million and \$750.0 million to pay a floating rate based on LIBOR and receive a fixed rate that mature in July 2013 and February 2015, respectively. These swaps hedge against changes in the fair value of our fixed rate debt.

#### Derivative Summary

The following table provides a balance sheet overview of the Partnership's derivative assets and liabilities as of December 31, 2009 and December 31, 2008:

Balance Sheet Location	Fair Value of Derivative Instruments				
	Asset Derivatives		Liability Derivatives		
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008	
Derivatives designated as hedging instruments:					
Commodity Derivatives (margin deposits)	Deposits Paid to Vendors	\$ 669	\$ 10,665	\$ (24,035)	\$ (1,504)
Commodity Derivatives	Price Risk Management Assets/Liabilities	8,443	918	(201)	(119)
Interest Rate Swap Derivatives	Price Risk Management Assets/Liabilities	-	-	(61,879)	(71,042)
<b>Total derivatives designated as hedging instruments</b>		<b>\$ 9,112</b>	<b>\$ 11,583</b>	<b>\$ (86,115)</b>	<b>\$ (72,665)</b>
Derivatives not designated as hedging instruments:					
Commodity Derivatives (margin deposits)	Deposits Paid to Vendors	\$ 72,851	\$ 432,614	\$ (36,950)	\$ (335,685)
Commodity Derivatives	Price Risk Management Assets/Liabilities	3,928	17,244	(241)	(55,954)
Interest Rate Swap Derivatives	Price Risk Management Assets/Liabilities	-	-	(76,157)	(149,765)
<b>Total derivatives not designated as hedging instruments</b>		<b>\$ 76,779</b>	<b>\$ 449,858</b>	<b>\$ (113,348)</b>	<b>\$ (541,404)</b>
<b>Total derivatives</b>		<b>\$ 85,891</b>	<b>\$ 461,441</b>	<b>\$ (199,463)</b>	<b>\$ (614,069)</b>

We disclose the non-exchange traded financial derivative instruments as price risk management assets and liabilities on our consolidated balance sheets at fair value with amounts classified as either current or long-term depending on the anticipated settlement date.

We utilize master-netting agreements and have maintenance margin deposits with certain counterparties in the OTC market and with clearing brokers. Payments on margin deposits are required when the value of a derivative exceeds our pre-established credit limit with the counterparty. Margin deposits are returned to us on the settlement date for non-exchange traded derivatives. We exchange margin calls on a daily basis for exchange traded transactions. Since the margin calls are made daily with the exchange brokers, the fair value of the financial derivative instruments are deemed current and netted in deposits paid to vendors within other current assets in the consolidated balance sheets. The Partnership had net deposits with counterparties of \$79.7 million and \$78.2 million as of December 31, 2009 and December 31, 2008, respectively.

The following tables detail the effect of the Partnership's derivative assets and liabilities in the consolidated statements of operations for the periods presented:

Location of Gain/(Loss) Reclassified from AOCI into Income (Effective and Ineffective Portion)	Change in Value Recognized in OCI on Derivatives (Effective Portion)				
	Years Ended December 31,		Four Months Ended	Year Ended	
	2009	2008	December 31, 2007	August 31, 2007	
Derivatives in cash flow hedging relationships:					
Commodity Derivatives	Cost of Products Sold	\$ 3,143	\$ 17,461	\$ 21,406	\$ 181,765
Interest Rate Swap Derivatives	Interest Expense	(14,705)	(57,676)	(23,846)	(578)
<b>Total</b>		<b>\$ (11,562)</b>	<b>\$ (40,215)</b>	<b>\$ (2,440)</b>	<b>\$ 181,187</b>

Location of Gain/(Loss) Reclassified from AOCI into Income (Effective and Ineffective Portion)		Amount of Gain/(Loss) Reclassified from AOCI into Income (Effective Portion)			
		Years Ended December 31,		Four Months Ended	Year Ended
		2009	2008	December 31, 2007	August 31, 2007
Derivatives in cash flow hedging relationships:					
Commodity Derivatives	Cost of Products Sold	\$ 9,924	\$ 42,874	\$ 8,673	\$ 162,340
Interest Rate Swap Derivatives	Interest Expense	(26,882)	(11,339)	650	3,879
Total		\$ (16,958)	\$ 31,535	\$ 9,323	\$ 166,219

Location of Gain/(Loss) Reclassified from AOCI into Income (Effective and Ineffective Portion)		Amount of Gain/(Loss) Recognized in Income on Ineffective Portion of Derivatives			
		Years Ended December 31,		Four Months Ended	Year Ended
		2009	2008	December 31, 2007	August 31, 2007
Derivatives in cash flow hedging relationships:					
Commodity Derivatives	Cost of Products Sold	\$ -	\$ (8,347)	\$ 8,472	\$ 183
Interest Rate Swap Derivatives	Interest Expense	-	-	(2)	(1,813)
Total		\$ -	\$ (8,347)	\$ 8,470	\$ (1,630)

Location of Gain/(Loss) Recognized in Income on Derivatives		Amount of Gain/(Loss) Recognized in Income on Derivatives representing hedge ineffectiveness and amount excluded from the assessment of effectiveness			
		Years Ended December 31,		Four Months Ended	Year Ended
		2009	2008	December 31, 2007	August 31, 2007
Derivatives in fair value hedging relationships:					
Commodity Derivatives (including hedged items)	Cost of Products Sold	\$ 60,045	\$ -	\$ -	\$ -
Total		\$ 60,045	\$ -	\$ -	\$ -

Location of Gain/(Loss) Recognized in Income on Derivatives		Amount of Gain/(Loss) Recognized in Income on Derivatives			
		Years Ended December 31,		Four Months Ended	Year Ended
		2009	2008	December 31, 2007	August 31, 2007
Derivatives not designated as hedging instruments:					
Commodity Derivatives	Cost of Products Sold	\$ 99,807	\$ 12,478	\$ 9,886	\$ 30,028
Trading Commodity Derivatives	Revenue	-	(28,283)	(2,298)	5,228
Interest Rate Swap Derivatives	Gains (Losses) on Non-hedged Interest Rate Derivatives	33,619	(128,423)	(28,683)	29,081
Total		\$ 133,426	\$ (144,228)	\$ (21,095)	\$ 64,337

We recognized an \$18.6 million unrealized loss, a \$35.5 million unrealized gain, a \$13.2 million unrealized gain and an \$8.5 million unrealized loss on commodity derivatives not in fair value hedging relationships (including the ineffective portion of commodity derivatives in cash flow hedging relationships and amounts classified as trading activity) for the years ended December 31, 2009 and 2008, four months ended December 31, 2007 and the year August 31, 2007, respectively. In addition, for the year ended December 31, 2009, we recognized unrealized gains of \$48.6 million on commodity derivatives and related hedged inventory accounted for as fair value hedges. There were no unrealized gains or losses on fair value hedging commodity derivatives in the prior years since we commenced fair hedge accounting on our storage inventory in April 2009.

## Credit Risk

We maintain credit policies with regard to our counterparties that we believe minimize our overall credit risk. These policies include an evaluation of potential counterparties' financial condition (including credit ratings), collateral requirements under certain circumstances and the use of standardized agreements, which allow for netting of positive and negative exposure associated with a single counterparty.

Our counterparties consist primarily of financial institutions, major energy companies and local distribution companies. This concentration of counterparties may impact its overall exposure to credit risk, either positively or negatively in that the counterparties may be similarly affected by changes in economic, regulatory or other conditions. Based on our policies, exposures, credit and other reserves, management does not anticipate a material adverse effect on financial position or results of operations as a result of counterparty performance.

For financial instruments, failure of a counterparty to perform on a contract could result in our inability to realize amounts that have been recorded on our consolidated balance sheet and recognized in net income or other comprehensive income.

### 13. RETIREMENT BENEFITS:

ETP sponsors a 401(k) savings plan, which covers virtually all employees. Employer matching contributions are calculated using a formula based on employee contributions. Prior to 2009, employer-matching contributions were discretionary. We made matching contributions of \$9.8 million, \$9.7 million, \$2.6 million and \$8.5 million to the 401(k) savings plan for the years ended December 31, 2009 and 2008, the four months ended December 31, 2007, and the fiscal year ended August 31, 2007, respectively.

### 14. RELATED PARTY TRANSACTIONS:

On May 7, 2007, Ray Davis, previously the Co-Chairman of ETE and Co-Chairman and Co-Chief Executive Officer of ETP (retired August 15, 2007), and Natural Gas Partners VI, L.P. ("NGP") and affiliates of each, sold approximately 38,976,090 ETE Common Units (17.6% of the outstanding Common Units of ETE) to Enterprise. In addition to the purchase of ETE Common Units, Enterprise acquired a non-controlling equity interest in our General Partner, LE GP, LLC ("LE GP"). Cash consideration paid by Enterprise totaled approximately \$1.65 billion, reflecting a purchase price of \$42.00 per ETE Common Unit. As a result of these transactions, EPE and its subsidiaries are considered related parties for financial reporting purposes.

On December 23, 2009, Dan L. Duncan and Ralph S. Cunningham were appointed as directors of our general partner. Mr. Duncan is Chairman and a director of EPE Holdings, LLC, the general partner of Enterprise; Chairman and a director of Enterprise Products GP, LLC, the general partner of Enterprise Products Partners L.P., or EPD; and Group Co-Chairman of EPCO, Inc. TEPPCO Partners, L.P., or TEPPCO, is also an affiliate of EPE. Dr. Cunningham is the President and Chief Executive Officer of EPE Holdings, LLC, the general partner of Enterprise. These entities and other affiliates of Enterprise are referred to herein collectively as the "Enterprise Entities." Mr. Duncan directly or indirectly beneficially owns various interests in the Enterprise Entities, including various general partner interests and approximately 77.1% of the common units of Enterprise, and approximately 34% of the common units of EPD. On October 26, 2009, TEPPCO became a wholly owned subsidiary of Enterprise.

Our propane operations routinely enter into purchases and sales of propane with certain of the Enterprise Entities, including purchases under a long-term contract of Titan to purchase the majority of its propane requirements through certain of the Enterprise Entities. This agreement was in effect prior to our acquisition of Titan in 2006 and expires in March 2010 and contains renewal and extension options.

From time to time, our natural gas operations purchase from, and sell to, the Enterprise Entities natural gas and NGLs, in the ordinary course of business. We have a monthly natural gas storage contract with TEPPCO. Our natural gas operations and the Enterprise Entities transport natural gas on each other's pipelines and share operating expenses on jointly-owned pipelines.

The following table presents sales to and purchases from affiliates of Enterprise. Amounts reflected below for the year ended August 31, 2007 include transactions beginning on May 7, 2007, the date Enterprise became an affiliate. Volumes are presented in thousands of gallons for propane and NGLs and in billions of Btus for natural gas.

	Product	Years Ended December 31,				Four Months Ended December 31,		Year Ended August 31,	
		2009		2008		2007		2007	
		Volumes	Dollars	Volumes	Dollars	Volumes	Dollars	Volumes	Dollars
<b>Propane Operations:</b>									
Sales	Propane	20,370	\$ 14,046	13,230	\$ 19,769	2,982	\$ 4,619	1,470	\$ 1,725
	Derivatives	-	5,915	-	2,442	-	1,857	-	22
Purchases	Propane	307,525	\$ 305,148	318,982	\$ 472,816	125,141	\$ 192,580	61,660	\$ 74,688
	Derivatives	-	38,392	-	20,993	-	-	-	1
<b>Natural Gas Operations:</b>									
Sales	NGLs	477,908	\$ 374,020	58,361	\$ 96,974	3,240	\$ 4,726	464	\$ 648
	Natural Gas	11,532	44,212	6,256	52,205	2,036	11,452	1,495	9,768
	Fees	-	(3,899)	-	5,093	-	610	-	-
Purchases	Natural Gas Imbalances	176	\$ 1,164	3,488	\$ (6,485)	313	\$ (911)	3,120	\$ 22,677
	Natural Gas	10,561	49,559	13,457	120,837	3,577	23,341	1,541	7,501
	Fees	-	(2,195)	-	876	-	311	-	-

As of December 31, 2009 and 2008, Titan had forward mark-to-market derivatives for approximately 6.1 million and 45.2 million gallons of propane at a fair value asset of \$3.3 million and a fair value liability of \$40.1 million, respectively, with Enterprise. In addition, as of December 31, 2009, Titan had forward derivatives accounted for as cash flow hedges of 20.5 million gallons of propane at a fair value asset of \$8.4 million with Enterprise.

The following table summarizes the related party balances with Enterprise on our consolidated balance sheets:

	December 31, 2009	December 31, 2008
<b>Natural Gas Operations:</b>		
Accounts receivable	\$ 47,005	\$ 11,558
Accounts payable	3,518	567
Imbalance payable	694	(547)
<b>Propane Operations:</b>		
Accounts receivable	\$ 3,386	\$ 111
Accounts payable	31,642	33,308

Accounts receivable from related companies excluding Enterprise consist of the following:

	December 31, 2009	December 31, 2008
MEP	\$ 632	\$ 2,805
Energy Transfer Technologies, Ltd.	-	16
McReynolds Energy	-	202
Others	871	450
Total accounts receivable from related companies excluding Enterprise	\$ 1,503	\$ 3,473

Effective August 17, 2009, we acquired 100% of the membership interests of Energy Transfer Group, L.L.C. ("ETG"), which owns all of the partnership interests of Energy Transfer Technologies, Ltd. ("ETT"). ETT provides compression services to customers engaged in the transportation of natural gas, including ETP. The membership interests of ETG were contributed to us by Mr. Warren and by two entities, one of which is controlled by a director of the General Partner of ETP's general partner and the other of which is controlled by a member of ETP's management. In exchange, the former members acquired the right to receive (in cash or Common Units) future amounts to be determined based on the terms of the contribution arrangement. These contingent amounts are to be determined in 2014 and 2017, and the former members of ETG may receive payments contingent on the acquired operations performing at a level above the average return required by ETP for approval of its own growth projects during the period since acquisition. In addition, the former members may be required to make cash payments to us under certain circumstances. In connection with this transaction, we assumed liabilities of \$33.5 million and recorded goodwill of \$1.7 million.

Prior to our acquisition of ETG in August 2009, our natural gas midstream and intrastate transportation and storage operations secured compression services from ETT. The terms of each arrangement to provide compression services were, in the opinion of independent directors of the General Partner, no more or less favorable than those available from other providers of compression services. During the years ended December 31, 2009 (through the ETG acquisition date) and 2008, the four months ended December 31, 2007 and the fiscal year ended August 31, 2007, we made payments totaling \$3.4 million, \$9.4 million, \$0.8 million, and \$2.4 million, respectively, to ETG for compression services provided to and utilized in our natural gas midstream and intrastate transportation and storage operations.

The Partnership pays ETP an annual administrative fee of \$0.5 million for the provision of various general and administrative services for ETE's benefit.

The Chief Executive Officer ("CEO") of ETP's General Partner, Mr. Kelcy Warren, voluntarily determined that after 2007, his salary would be reduced to \$1.00 plus an amount sufficient to cover his allocated payroll deductions for health and welfare benefits. Mr. Warren also declined future cash bonuses and future equity awards under our 2004 Unit Plan. We recorded non-cash compensation expense and an offsetting capital contribution of \$1.3 million (\$0.5 million in salary and \$0.8 million in accrued bonuses) for each of the years ended December 31, 2009 and 2008 as an estimate of the reasonable compensation level for the CEO position.

15. **REPORTABLE SEGMENTS:**

Our financial statements reflect four reportable segments, which conduct their business exclusively in the United States of America, as follows:

- natural gas operations:
  - ú intrastate transportation and storage
  - ú interstate transportation
  - ú midstream
- retail propane and other retail propane related operations

Segments below the quantitative thresholds are classified as "other". The components of the "other" classification have not met any of the quantitative thresholds for determining reportable segments. Management has included the wholesale propane and natural gas compression services operations in "other" for all periods presented in this report because such operations are not material.

Midstream and intrastate transportation and storage segment revenues and expenses include intersegment and intrasegment transactions, which are generally based on transactions made at market-related rates. Consolidated revenues and expenses reflect the elimination of all material intercompany transactions.

The volumes and results of operations data for fiscal year 2007 do not include the interstate operations for periods prior to Transwestern's acquisition on December 1, 2006.

See "Business Operations" in Note 1 for a description of the operations of each of our reportable segments.

We evaluate the performance of our operating segments based on operating income exclusive of general partnership selling, general and administrative expenses, gains (losses) on disposal of assets, interest expense, equity in earnings (losses) from affiliates and income tax expense (benefit). Certain overhead costs relating to a reportable segment have been allocated for purposes of calculating operating income. We began allocating administration expenses from the Partnership to our Operating Companies using the Modified Massachusetts Formula Calculation ("MMFC") which is based on factors such as respective segments' gross margins, employee costs, and property and equipment.



The expenses subject to allocation are based on estimated amounts and take into consideration actual expenses from previous months and known trends. The difference between the allocation and actual costs is adjusted in the following month. The amounts allocated for the periods presented are as follows:

	Years Ended December 31,		Four Months Ended	Year Ended
	2009	2008	December 31,	August 31,
			2007	2007
Costs allocated from ETP to operating subsidiaries:				
Midstream and intrastate transportation and storage operations	\$ 15,776	\$ 19,834	\$ 6,761	\$ 11,357
Interstate operations	4,922	5,750	2,613	4,388
Retail propane and other retail propane related operations	12,113	12,664	5,992	10,067
Total	\$ 32,811	\$ 38,248	\$ 15,366	\$ 25,812
Costs allocated from operating subsidiaries to ETP:				
Midstream and intrastate transportation and storage operations	\$ 6,699	\$ 10,649	\$ 2,440	\$ 5,221
Retail propane and other retail propane related operations	412	2,428	850	2,187
Total	\$ 7,111	\$ 13,077	\$ 3,290	\$ 7,408

The following tables present the financial information by segment for the following periods:

	Years Ended December 31,		Four Months	Year Ended
	2009	2008	Ended December 31, 2007	August 31, 2007
<b>Revenues:</b>				
Intrastate transportation and storage				
Revenues from external customers	\$ 1,773,528	\$ 3,379,424	\$ 929,357	\$ 3,085,940
Intersegment revenues	618,016	2,255,180	325,044	829,992
	<u>2,391,544</u>	<u>5,634,604</u>	<u>1,254,401</u>	<u>3,915,932</u>
Interstate transportation	270,213	244,224	76,000	178,663
<b>Midstream</b>				
Revenues from external customers	2,060,451	4,029,508	826,835	2,121,289
Intersegment revenues	380,709	1,312,885	339,478	732,207
	<u>2,441,160</u>	<u>5,342,393</u>	<u>1,166,313</u>	<u>2,853,496</u>
Retail propane and other retail propane related - revenues from external customers	1,292,583	1,624,010	511,258	1,284,867
<b>All other:</b>				
Revenues from external customers	20,520	16,201	5,892	121,278
Intersegment revenues	1,145	-	-	-
	<u>21,665</u>	<u>16,201</u>	<u>5,892</u>	<u>121,278</u>
Eliminations	(999,870)	(3,568,065)	(664,522)	(1,562,199)
Total revenues	<u>\$ 5,417,295</u>	<u>\$ 9,293,367</u>	<u>\$ 2,349,342</u>	<u>\$ 6,792,037</u>
<b>Cost of products sold:</b>				
Intrastate transportation and storage	\$ 1,393,295	\$ 4,467,552	\$ 964,568	\$ 3,137,712
Midstream	2,116,279	4,986,495	1,043,191	2,632,187
Retail propane and other retail propane related	596,002	1,038,722	325,158	759,634
All other	16,350	13,376	5,259	110,872
Eliminations	(999,870)	(3,568,065)	(664,522)	(1,562,199)
Total cost of products sold	<u>\$ 3,122,056</u>	<u>\$ 6,938,080</u>	<u>\$ 1,673,654</u>	<u>\$ 5,078,206</u>
<b>Depreciation and amortization:</b>				
Intrastate transportation and storage	\$ 115,884	\$ 92,979	\$ 23,429	\$ 64,423
Interstate transportation	48,297	37,790	12,305	27,972
Midstream	74,787	63,287	14,943	27,331
Retail propane and other retail propane related	83,476	79,717	24,537	70,833
All other	2,580	599	192	824
Total depreciation and amortization	<u>\$ 325,024</u>	<u>\$ 274,372</u>	<u>\$ 75,406</u>	<u>\$ 191,383</u>
<b>Operating income (loss):</b>				
Intrastate transportation and storage	\$ 618,500	\$ 710,070	\$ 169,361	\$ 479,820
Interstate transportation	138,233	124,676	29,657	95,650
Midstream	136,790	162,471	71,853	119,233
Retail propane and other retail propane related	229,229	114,564	46,747	124,263
All other	(8,658)	(2,032)	(796)	1,735
Selling general and administrative expenses not allocated to segments	(3,696)	(10,846)	(171)	(11,365)
Total operating income	<u>\$ 1,110,398</u>	<u>\$ 1,098,903</u>	<u>\$ 316,651</u>	<u>\$ 809,336</u>
<b>Other items not allocated by segment:</b>				
Interest expense, net of interest capitalized	\$ (468,420)	\$ (357,541)	\$ (103,375)	\$ (279,986)
Equity in earnings (losses) of affiliates	20,597	(165)	(94)	5,161
Gains (losses) on disposal of assets	(1,564)	(1,303)	14,310	(6,310)
Gains (losses) on non-hedged interest rate derivatives	33,619	(128,423)	(28,683)	29,081
Allowance for equity funds used during construction	10,557	63,976	7,276	4,948
Other, net	1,913	8,115	(13,327)	1,129
Income tax expense	(9,229)	(3,808)	(9,949)	(11,391)
	<u>(412,527)</u>	<u>(419,149)</u>	<u>(133,842)</u>	<u>(257,368)</u>
Net income	<u>\$ 697,871</u>	<u>\$ 679,754</u>	<u>\$ 182,809</u>	<u>\$ 551,968</u>

	As of December 31,			As of August 31,
	2009	2008	2007	2007
<b>Total assets:</b>				
Intrastate transportation and storage	\$ 5,162,164	\$ 4,911,770	\$ 4,254,514	\$ 3,814,391
Interstate transportation	3,313,837	2,487,078	1,834,941	1,653,363
Midstream	1,653,921	1,674,028	1,444,446	943,760
Retail propane and other retail propane related	1,784,353	1,810,953	1,778,426	1,593,863
All other	246,234	186,073	149,767	177,712
<b>Total</b>	<b>\$ 12,160,509</b>	<b>\$ 11,069,902</b>	<b>\$ 9,462,094</b>	<b>\$ 8,183,089</b>

  

	Years Ended December 31,		Four Months Ended	Year Ended
	2009	2008	December 31,	August 31,
			2007	2007
<b>Additions to property, plant and equipment including acquisitions, net of contributions in aid of construction costs (accrual basis):</b>				
Intrastate transportation and storage	\$ 378,494	\$ 993,886	\$ 320,965	\$ 827,859
Interstate transportation	99,341	720,186	167,343	1,345,637
Midstream	95,081	267,900	414,722	201,646
Retail propane and other retail propane related	62,953	130,358	47,553	65,125
All other	44,911	3,072	953	2,015
<b>Total</b>	<b>\$ 680,780</b>	<b>\$ 2,115,402</b>	<b>\$ 951,536</b>	<b>\$ 2,442,282</b>

**16. QUARTERLY FINANCIAL DATA (UNAUDITED):**

Summarized unaudited quarterly financial data is presented below. Earnings per unit are computed on a stand-alone basis for each quarter and total year. HOLP's and Titan's businesses are seasonal due to weather conditions in their service areas. Propane sales to residential and commercial customers are affected by winter heating season requirements, which generally results in higher operating revenues and net income during the period from October through March of each year and lower operating revenues and either net losses or lower net income during the period from April through September of each year. Sales to commercial and industrial customers are less weather sensitive. ETC OLP's business is also seasonal due to the operations of ET Fuel System and the HPL System. We expect margin related to the HPL System operations to be higher during the periods from November through March of each year and lower during the periods from April through October of each year due to the increased demand for natural gas during the cold weather. However, we cannot assure that management's expectations will be fully realized in the future and in what time period due to various factors including weather, availability of natural gas in regions in which we operate, competitive factors in the energy industry, and other issues.

2009:	Quarter Ended				Total Year
	March 31	June 30	September 30	December 31	
Revenues	\$ 1,629,974	\$ 1,151,690	\$ 1,129,849	\$ 1,505,782	\$ 5,417,295
Gross Profit	670,835	525,697	451,701	647,006	2,295,239
Operating income	356,098	215,031	173,501	365,768	1,110,398
Net income	279,750	141,758	34,267	242,096	697,871
Limited Partners' interest in net income	151,067	104,053	46,824	139,159	441,103
Basic net income per limited partner unit	\$ 0.68	\$ 0.47	\$ 0.21	\$ 0.62	\$ 1.98
Diluted net income per limited partner unit	\$ 0.68	\$ 0.47	\$ 0.21	\$ 0.62	\$ 1.98

2008:	Quarter Ended				Total Year
	March 31	June 30	September 30	December 31	
Revenues	\$ 2,639,245	\$ 2,653,351	\$ 2,206,090	\$ 1,794,681	\$ 9,293,367
Gross Profit	659,527	529,279	572,636	593,845	2,355,287
Operating income	367,929	221,940	256,264	252,770	1,098,903
Net income	267,158	166,818	185,116	60,662	679,754
Limited Partners' interest in net income	126,313	120,021	105,053	22,496	373,883
Basic net income per limited partner unit	\$ 0.57	\$ 0.54	\$ 0.47	\$ 0.10	\$ 1.68
Diluted net income per limited partner unit	\$ 0.57	\$ 0.54	\$ 0.47	\$ 0.10	\$ 1.68

17. **SUPPLEMENTAL INFORMATION:**

Following are the financial statements of the Parent Company, which are included to provide additional information with respect to the Parent Company's financial position, results of operations and cash flows on a stand-alone basis:

**BALANCE SHEETS**

	December 31, 2009	December 31, 2008
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 62	\$ 62
Accounts receivable from related companies	97	459
Other current assets	1,287	163
Total current assets	<u>1,446</u>	<u>684</u>
ADVANCES TO AND INVESTMENT IN AFFILIATES	1,711,928	1,662,074
INTANGIBLES AND OTHER ASSETS, net	5,574	8,581
Total assets	<u>\$ 1,718,948</u>	<u>\$ 1,671,339</u>
<b>LIABILITIES AND PARTNERS' CAPITAL</b>		
CURRENT LIABILITIES:		
Accounts payable	\$ 178	\$ 798
Accounts payable to affiliates	5,024	3,034
Accrued interest	1,480	9,222
Accrued and other current liabilities	127	912
Price risk management liabilities	64,704	47,453
Total current liabilities	<u>71,513</u>	<u>61,419</u>
LONG-TERM DEBT, less current maturities	1,573,951	1,571,642
LONG-TERM PRICE RISK MANAGEMENT LIABILITIES	73,332	121,710
COMMITMENTS AND CONTINGENCIES	<u>1,718,796</u>	<u>1,754,771</u>
PARTNERS' CAPITAL (DEFICIT):		
General Partner	368	155
Limited Partner - Common Unitholders (222,898,248 and 222,829,956 units authorized, issued and outstanding at December 31, 2009 and 2008, respectively)	53,412	(15,762)
Accumulated other comprehensive loss	(53,628)	(67,825)
Total partners' capital (deficit)	<u>152</u>	<u>(83,432)</u>
Total liabilities and partners' capital (deficit)	<u>\$ 1,718,948</u>	<u>\$ 1,671,339</u>

**STATEMENTS OF OPERATIONS**

	Years Ended December 31,		Four Months Ended	Year Ended
	2009	2008	December 31, 2007	August 31, 2007
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	\$ (4,970)	\$ (6,453)	\$ (2,875)	\$ (8,496)
OTHER INCOME (EXPENSE):				
Interest expense	(74,049)	(91,822)	(37,071)	(104,405)
Equity in earnings of affiliates	526,383	551,835	168,547	435,247
Losses on non-hedged interest rate derivatives	(5,620)	(77,435)	(27,670)	(1,952)
Other, net	79	(1,056)	(8,128)	(405)
INCOME BEFORE INCOME TAXES	441,823	375,069	92,803	319,989
Income tax expense (benefit)	(650)	25	126	629
NET INCOME	442,473	375,044	92,677	319,360
GENERAL PARTNER'S INTEREST IN NET INCOME	1,370	1,161	287	1,048
LIMITED PARTNERS' INTEREST IN NET INCOME	\$ 441,103	\$ 373,883	\$ 92,390	\$ 318,312

**STATEMENTS OF CASH FLOWS**

	Years Ended December 31,		Four Months	Year
	2009	2008	Ended December 31, 2007	Ended August 31, 2007
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	\$ 468,969	\$ 436,819	\$ 77,360	\$ 239,777
CASH FLOWS FROM INVESTING ACTIVITIES:				
Advances to and investment in subsidiaries	-	-	-	(1,200,000)
Net cash used in investing activities	-	-	-	(1,200,000)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from borrowings	67,505	190,533	1,255	1,252,662
Principal payments on debt	(65,816)	(191,464)	-	(367,529)
Equity offerings	-	-	-	372,434
Cash distributions to Partners	(470,658)	(435,868)	(87,174)	(276,997)
Debt issuance costs	-	-	-	(11,881)
Net cash provided by (used in) financing activities	(468,969)	(436,799)	(85,919)	968,689
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	20	(8,559)	8,466
CASH AND CASH EQUIVALENTS, beginning of period	62	42	8,601	135
CASH AND CASH EQUIVALENTS, end of period	\$ 62	\$ 62	\$ 42	\$ 8,601

18. COMPARATIVE INFORMATION FOR THE FOUR MONTHS ENDED DECEMBER 31, 2007:

The unaudited financial information for the four month period ended December 31, 2006, contained herein is presented for comparative purposes only and does not contain related financial statement disclosures that would be required with a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America. Certain financial statement amounts have been adjusted due to the adoption of new accounting standards in 2009. See Note 2.



**ENERGY TRANSFER EQUITY, L.P. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Dollars in thousands, except per unit data)

(unaudited)

	Four Months Ended December 31,	
	2007	2006
<b>REVENUES:</b>		
Natural gas operations	\$ 1,832,192	\$ 1,668,667
Retail propane	471,494	409,821
Other	45,656	83,978
Total revenues	<u>2,349,342</u>	<u>2,162,466</u>
<b>COSTS AND EXPENSES:</b>		
Cost of products sold - natural gas operations	1,343,237	1,382,473
Cost of products sold - retail propane	315,698	256,994
Cost of products sold - other	14,719	50,376
Operating expenses	221,757	173,365
Depreciation and amortization	75,406	52,840
Selling, general and administrative	61,874	43,602
Total costs and expenses	<u>2,032,691</u>	<u>1,959,650</u>
<b>OPERATING INCOME</b>	316,651	202,816
<b>OTHER INCOME (EXPENSE):</b>		
Interest expense, net of interest capitalized	(103,375)	(82,979)
Equity in earnings (losses) of affiliates	(94)	4,743
Gain on disposal of assets	14,310	2,212
Other income (expense), net	<u>(34,734)</u>	<u>2,248</u>
<b>INCOME BEFORE INCOME TAX EXPENSE</b>	192,758	129,040
Income tax expense	9,949	2,155
<b>NET INCOME</b>	182,809	126,885
<b>LESS: NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>	<u>90,132</u>	<u>50,204</u>
<b>NET INCOME ATTRIBUTABLE TO PARTNERS</b>	92,677	76,681
<b>GENERAL PARTNER'S INTEREST IN NET INCOME</b>	<u>287</u>	<u>290</u>
<b>LIMITED PARTNERS' INTEREST IN NET INCOME</b>	<u>\$ 92,390</u>	<u>\$ 76,391</u>
<b>BASIC NET INCOME PER LIMITED PARTNER UNIT</b>	<u>\$ 0.41</u>	<u>\$ 0.45</u>
<b>BASIC AVERAGE NUMBER OF UNITS OUTSTANDING</b>	<u>222,829,916</u>	<u>170,691,287</u>
<b>DILUTED NET INCOME PER LIMITED PARTNER UNIT</b>	<u>\$ 0.41</u>	<u>\$ 0.45</u>
<b>DILUTED AVERAGE NUMBER OF UNITS OUTSTANDING</b>	<u>222,829,916</u>	<u>170,691,287</u>

**ENERGY TRANSFER EQUITY, L.P. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(Dollars in thousands)  
(unaudited)

	Four Months Ended December 31,	
	<u>2007</u>	<u>2006</u>
Net income	\$ 182,809	\$ 126,885
Other comprehensive income (loss), net of tax:		
Reclassification to earnings of gains and losses on derivative instruments accounted for as cash flow hedges	(17,970)	(23,698)
Change in value of derivative instruments accounted for as cash flow hedges	(2,221)	158,916
Change in value of available-for-sale securities	(98)	(401)
	<u>(20,289)</u>	<u>134,817</u>
Comprehensive income	162,520	261,702
Less: Comprehensive income attributable to non-controlling interest	<u>92,832</u>	<u>117,677</u>
Comprehensive income attributable to partners	<u>\$ 69,688</u>	<u>\$ 144,025</u>

**ENERGY TRANSFER EQUITY, L.P. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Dollars in thousands)  
(unaudited)

	Four Months Ended December 31,	
	2007	2006
<b>NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:</b>		
Net income	\$ 182,809	\$ 126,885
Reconciliation of net income to net cash provided by operating activities:		
Depreciation and amortization	75,406	52,840
Amortization in interest expense	2,441	1,697
Provision for loss on accounts receivable	544	563
Gain on disposal of assets	(14,310)	(2,212)
Non-cash unit-based compensation expense	8,137	4,385
Non-cash executive compensation	442	-
Distributions in excess of (less than) equity in earnings of affiliates, net	4,448	(4,742)
Deferred income taxes	37	(3,199)
Other non-cash	(2,069)	-
Net change in operating assets and liabilities, net of acquisitions	(49,250)	218,586
Net cash provided by operating activities	<u>208,635</u>	<u>394,803</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash paid for acquisitions, net of cash acquired	(337,092)	(67,089)
Capital expenditures	(651,228)	(336,473)
Contributions in aid of construction costs	3,493	4,984
Advances to and investment in affiliates	(32,594)	(953,247)
Proceeds from the sale of assets	21,478	7,644
Net cash used in investing activities	<u>(995,943)</u>	<u>(1,344,181)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from borrowings	1,742,802	2,911,149
Principal payments on debt	(1,062,272)	(1,941,610)
Subsidiary equity offering net of issue costs	234,887	-
Net proceeds from issuance of Common Units	-	213,287
Distributions to Partners	(87,174)	(39,867)
Debt issuance costs	(211)	(21,302)
Distributions to noncontrolling interests	(61,517)	(75,868)
Net cash provided by financing activities	<u>766,515</u>	<u>1,045,789</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(20,793)</b>	<b>96,411</b>
CASH AND CASH EQUIVALENTS, beginning of period	77,350	26,204
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 56,557</u>	<u>\$ 122,615</u>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
<b>NON-CASH INVESTING ACTIVITIES:</b>		
Capital expenditures accrued	\$ 87,622	\$ 13,294
Gain from subsidiary issuance of common units (recorded in partners' capital)	<u>\$ 48,932</u>	<u>\$ -</u>
<b>NON-CASH FINANCING ACTIVITIES:</b>		
Long-term debt assumed and non-compete agreement notes payable issued in acquisitions	\$ 3,896	\$ 532,631
Issuance of common units in connection with certain acquisitions	<u>\$ 1,400</u>	<u>\$ -</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid during the period for interest, net of interest capitalized	\$ 79,084	\$ 50,480
Cash paid during the period for income taxes	<u>\$ 9,135</u>	<u>\$ 6,197</u>



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Exhibit 99.5

**ENTERPRISE GP HOLDINGS AND ENTERPRISE PRODUCTS PARTNERS COMPLETE MERGER**

**Houston, Texas (Monday, November 22, 2010)** – Enterprise GP Holdings L.P. (NYSE: EPE) (“EPE”) and Enterprise Products Partners L.P. (NYSE: EPD) (“EPD”) have announced that the merger of EPE with a subsidiary of EPD was completed today.

Under the terms of the merger agreement, EPE unitholders are entitled to receive 1.50 EPD common units for each EPE unit owned at the effective time of the merger. Cash will be paid to EPE unitholders in accordance with the merger agreement in lieu of any fractional units they otherwise would have been entitled to receive. Based on the cash distributions paid in November 2010 by EPE and EPD, this will result in a 52 percent increase in cash distributions for the unitholders of EPE. As previously announced, the transaction has resulted in the cancellation of the 2% economic general partner interest in EPD and the general partner incentive distribution rights. In connection with the merger closing, an affiliate of EPCO has agreed to waive the distributions that it would otherwise be entitled to receive on certain EPD common units for the next five years.

“Enterprise GP Holdings is pleased to complete this merger,” stated Dr. Ralph S. Cunningham, president and chief executive officer of EPE. “Our voting unitholders overwhelmingly supported the merger with over 99 percent of the votes cast voted in favor of the merger.”

“The completion of this merger is a major event in the history of Enterprise Products Partners,” said Michael A. Creel, president and chief executive officer of EPD. “The permanent elimination of our general partner’s incentive distribution rights reduces our long-term cost of equity capital which will allow us to generate more accretion in terms of distributable cash flow as we continue to grow our partnership. The merger also simplifies our ownership structure.”

With the completion of the merger, EPE has merged into a wholly owned subsidiary of EPD. The surviving entity continues to hold noncontrolling interests in Energy Transfer Equity, L.P. The common units that EPE held in EPD have been cancelled. EPD’s common units will continue to be traded on the New York Stock Exchange under the ticker symbol EPD. EPE’s units, which had been trading on the NYSE under the ticker symbol EPE, will be delisted and no longer publicly traded as of the opening of the stock market on November 23, 2010. The former general partner of EPE, EPE Holdings, LLC (to be renamed Enterprise Products Holdings LLC following the merger on November 22, 2010), has become the successor general partner of EPD in connection with the merger.

In connection with the closing of the merger and changes made by the sole member of our general partner, the following persons are directors of EPD's successor general partner: Randa Duncan Williams, Dr. Ralph S. Cunningham (Chairman), Richard H. Bachmann, Michael A. Creel, A. James Teague, Thurmon M. Andress, Charles E. McMahan, Edwin E. Smith, E. William Barnett, Charles M. Rampacek and Rex C. Ross. Mr. O. S. Andras has also been named an honorary director.

Enterprise Products Partners L.P. is the largest publicly traded partnership and a leading North American provider of midstream energy services to producers and consumers of natural gas, NGLs, crude oil, refined products and petrochemicals. EPD's assets include: 49,100 miles of onshore and offshore pipelines; approximately 200 million barrels of storage capacity for NGLs, refined products and crude oil; and 27 billion cubic feet of natural gas storage capacity. Services include: natural gas transportation, gathering, processing and storage; NGL fractionation, transportation, storage, and import and export terminaling; crude oil and refined products storage, transportation and terminaling; offshore production platform; petrochemical transportation and storage; and a marine transportation business that operates primarily on the United States inland and Intracoastal Waterway systems and in the Gulf of Mexico. For additional information, visit [www.epplp.com](http://www.epplp.com).

*This press release includes "forward-looking statements" as defined by the Securities and Exchange Commission. All statements, other than statements of historical fact, included herein that address activities, events, developments or transactions that EPD expects, believes or anticipates will or may occur in the future, including anticipated benefits and other aspects of such activities, events, developments or transactions, are forward-looking statements. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially, including required approvals by regulatory agencies, the possibility that the anticipated benefits from such activities, events, developments or transactions cannot be fully realized, the possibility that costs or difficulties related thereto will be greater than expected, the impact of competition and other risk factors included in the reports filed with the Securities and Exchange Commission by EPD. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. Except as required by law, EPD does not intend to update or revise its forward-looking statements, whether as a result of new information, future events or otherwise.*

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