AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MAY 13, 1998

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

ENTERPRISE PRODUCTS PARTNERS L.P.

(NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	211112	76-0568219
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

2727 NORTH LOOP WEST
HOUSTON, TX 77008
(713) 880-6500
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

GARY L. MILLER
2727 NORTH LOOP WEST
HOUSTON, TX 77008
(713) 880-6500
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

COPIES TO:

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1001 FANNIN
HOUSTON, TX 77002-6760
(713) 758-2222
ATTN: ALAN P. BADEN

BAKER & BOTTS, L.L.P.
ONE SHELL PLAZA
HOUSTON, TX 77002
(713) 229-1234
ATTN: JOSHUA DAVIDSON

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this Registration Statement becomes effective.

If any of the securities registered on this Form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [_]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [_]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)(2)	AMOUNT OF REGISTRATION FEE
Common Units representing limited partner interests.................	$474,720,000	$140,043

(1) Includes Common Units issuable upon exercise of the Underwriters' over-allotment option.
(2) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

Subject to Completion, dated May 13, 1998

PROSPECTUS

[LOGO OF ENTERPRISE APPEARS HERE]

ENTERPRISE PRODUCTS PARTNERS L.P.

17,200,000 COMMON UNITS

REPRESENTING LIMITED PARTNER INTERESTS

The Common Units offered hereby represent limited partner interests in Enterprise Products Partners L.P., a Delaware limited partnership ("Enterprise" or the "Company"). The Company was recently formed to acquire, own and operate substantially all of the natural gas liquids ("NGLs"), isomerization, MTBE and propylene processing and distribution assets of Enterprise Products Company ("EPCO").

The Company will distribute to its partners, on a quarterly basis, all of its Available Cash, which is generally all cash on hand at the end of a quarter, as adjusted for reserves. The General Partner has broad discretion in making cash disbursements and establishing reserves. The Company intends, to the extent there is sufficient Available Cash from Operating Surplus, to distribute to each holder of Common Units at least $0.45 per Common Unit per quarter (the "Minimum Quarterly Distribution") or $1.80 per Common Unit on an annualized basis.

LIMITED PARTNER INTERESTS ARE INHERENTLY DIFFERENT FROM CAPITAL STOCK OF A CORPORATION. PURCHASERS OF COMMON UNITS SHOULD CONSIDER EACH OF THE FACTORS DESCRIBED UNDER "RISK FACTORS," STARTING ON PAGE 22 OF THIS PROSPECTUS, IN EVALUATING AN INVESTMENT IN THE COMPANY, INCLUDING, BUT NOT LIMITED TO, THE FOLLOWING:

- THE MINIMUM QUARTERLY DISTRIBUTION IS NOT GUARANTEED. THE ACTUAL AMOUNT OF CASH DISTRIBUTIONS WILL DEPEND ON THE COMPANY'S FUTURE OPERATING PERFORMANCE AND WILL BE AFFECTED BY THE FUNDING OF RESERVES, OPERATING AND CAPITAL EXPENDITURES, TERMS OF ANY INDEBTEDNESS AND OTHER MATTERS WITHIN THE DISCRETION OF THE GENERAL PARTNER. PRO FORMA AVAILABLE CASH FROM OPERATING SURPLUS GENERATED DURING 1997 WOULD HAVE BEEN SUFFICIENT TO COVER THE MINIMUM QUARTERLY DISTRIBUTION FOR 1997 ON ALL OF THE COMMON UNITS, BUT WOULD HAVE BEEN INSUFFICIENT BY APPROXIMATELY $7.4 MILLION TO COVER THE MINIMUM QUARTERLY DISTRIBUTION ON ALL THE SUBORDINATED UNITS AND THE RELATED DISTRIBUTION ON THE GENERAL PARTNER INTERESTS.

(continued on page iii)

Prior to this offering, there has not been a public market for the Common Units. It is estimated that the initial public offering price will be between $ and $ per Common Unit. See "Underwriting" for information relating to the factors to be considered in determining the initial public offering price. Application has been made to list the Common Units on the New York Stock Exchange ("NYSE") under the symbol "   ."

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to	Underwriting Discounts and	Proceeds to

	Public	Commissions(1)	Company (2)
Per Common Unit	$	$	$
Total (3)	$	$	$

(1) The Company, the Operating Partnership, the General Partner and EPCO have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting."
(2) Before deducting expenses payable by the Company estimated at $.
(3) The Company has granted the Underwriters a 30-day option to purchase up to 2,580,000 additional Common Units on the same terms and conditions as set forth above, solely to cover over-allotments, if any. See "Underwriting." If such option is exercised in full, the total Price to Public, Underwriting Discounts and Commissions and Proceeds to Company will be $, $ and $, respectively.

The Common Units offered by this Prospectus are offered by the Underwriters subject to prior sale, to withdrawal, cancellation or modification of the offer without notice, to delivery to and acceptance by the Underwriters and to certain further conditions. It is expected that delivery of the Common Units will be made at the offices of Lehman Brothers Inc., New York, New York, on or about , 1998.

LEHMAN BROTHERS
A.G. EDWARDS & SONS, INC.
MERRILL LYNCH & CO.
PAINEWEBBER INCORPORATED
PRUDENTIAL SECURITIES INCORPORATED
SALOMON SMITH BARNEY

DAIN RAUSCHER WESSELS A DIVISION OF DAIN RAUSCHER INCORPORATED

RAYMOND JAMES & ASSOCIATES, INC.

, 1998

[MAPS]

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE COMMON UNITS. SUCH TRANSACTIONS MAY INCLUDE THE PURCHASE OF COMMON UNITS FOLLOWING THE PRICING OF THE OFFERING TO COVER A SYNDICATE SHORT POSITION IN THE COMMON UNITS OR FOR THE PURPOSE OF MAINTAINING THE PRICE OF THE COMMON UNITS AND THE IMPOSITION OF PENALTY BIDS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING."

BEF(R) and Belvieu Environmental Fuels(R) are registered United States trademarks of Belvieu Environmental Fuels. This Prospectus also contains additional trademarks and servicemarks of the Company and its affiliates.

(continued from page i)

- HOLDERS OF COMMON UNITS WILL HAVE ONLY LIMITED VOTING RIGHTS, AND THE GENERAL PARTNER WILL MANAGE AND OPERATE THE COMPANY. THE GENERAL PARTNER MAY NOT BE REMOVED EXCEPT PURSUANT TO THE VOTE OF THE HOLDERS OF AT LEAST 66 2/3% OF THE OUTSTANDING UNITS (INCLUDING UNITS OWNED BY THE GENERAL PARTNER AND ITS AFFILIATES). THE OWNERSHIP OF AN AGGREGATE OF 76.7% OF THE COMBINED COMMON UNITS AND SUBORDINATED UNITS BY A WHOLLY-OWNED SUBSIDIARY OF EPCO, THE PARENT OF THE GENERAL PARTNER, GIVES EPCO THE ABILITY TO PREVENT THE GENERAL PARTNER'S REMOVAL.

- PURCHASERS OF THE COMMON UNITS OFFERED HEREBY WILL EXPERIENCE IMMEDIATE AND SUBSTANTIAL DILUTION IN NET TANGIBLE BOOK VALUE OF $ PER COMMON UNIT FROM THE INITIAL PUBLIC OFFERING PRICE (ASSUMING AN INITIAL PUBLIC OFFERING PRICE OF $ PER COMMON UNIT).

- PRIOR TO MAKING ANY DISTRIBUTION ON THE COMMON UNITS, THE COMPANY WILL REIMBURSE THE GENERAL PARTNER AND ITS AFFILIATES FOR ALL EXPENSES INCURRED ON BEHALF OF THE COMPANY, SUBJECT TO THE TERMS OF AN AGREEMENT AMONG THE COMPANY, THE GENERAL PARTNER AND EPCO.

- THE COMPANY'S REVENUES AND PROFITABILITY ARE AFFECTED BY VARIOUS FACTORS BEYOND THE COMPANY'S CONTROL, INCLUDING THE DEMAND FOR NGL PRODUCTS, MTBE AND PROPYLENE, WHICH ARE IN TURN AFFECTED BY GENERAL ECONOMIC CONDITIONS, PETROCHEMICAL PRODUCTION, MOTOR GASOLINE PRODUCTION AND REGULATIONS AFFECTING THE COMPOSITION OF MOTOR GASOLINE. THE COMPANY'S REVENUES AND PROFITABILITY ARE ALSO AFFECTED BY THE SUPPLY OF MIXED NGLS FOR FRACTIONATION, WHICH IS IN TURN AFFECTED PRIMARILY BY THE LEVEL OF DOMESTIC NATURAL GAS PRODUCTION, DOMESTIC CRUDE OIL REFINING AND IMPORTS OF MIXED BUTANES.

- CONFLICTS OF INTEREST MAY ARISE BETWEEN THE GENERAL PARTNER AND ITS AFFILIATES, ON THE ONE HAND, AND THE COMPANY AND THE UNITHOLDERS, ON THE OTHER. THE PARTNERSHIP AGREEMENT CONTAINS CERTAIN PROVISIONS THAT LIMIT THE LIABILITY AND REDUCE THE FIDUCIARY DUTIES OF THE GENERAL PARTNER TO THE UNITHOLDERS. HOLDERS OF COMMON UNITS ARE DEEMED TO HAVE CONSENTED TO CERTAIN ACTIONS AND CONFLICTS OF INTEREST THAT MIGHT OTHERWISE BE DEEMED A BREACH OF FIDUCIARY OR OTHER DUTIES UNDER APPLICABLE STATE LAW.

- THE AVAILABILITY TO A COMMON UNITHOLDER OF THE FEDERAL INCOME TAX BENEFITS OF AN INVESTMENT IN THE COMPANY DEPENDS ON THE CLASSIFICATION OF THE COMPANY AS A PARTNERSHIP FOR FEDERAL INCOME TAX PURPOSES. THE COMPANY WILL RELY UPON AN OPINION OF COUNSEL, AND NOT A RULING FROM THE INTERNAL REVENUE SERVICE, ON THAT ISSUE AND OTHERS RELEVANT TO A COMMON UNITHOLDER.

To enhance the Company's ability to pay the Minimum Quarterly Distribution on the Common Units during the Subordination Period, which will generally extend at least through June 30, 2003, each holder of Common Units will be entitled to receive the Minimum Quarterly Distribution, plus any arrearages thereon, before any distributions are made on the outstanding subordinated limited partner interests of the Company (the "Subordinated Units"). Upon expiration of the Subordination Period, all Subordinated Units will convert into Common Units on a one-for-one basis and will thereafter participate pro rata with the other Common Units in distributions of Available Cash. Under certain circumstances, up to 50% of the Subordinated Units may convert into Common Units prior to the expiration of the Subordination Period. See "Cash Distribution Policy."

The Common Units offered hereby will represent an aggregate 22.9% interest in the Company and Enterprise Products Operating L.P., a Delaware limited partnership, which, upon consummation of the transactions described herein, will become the Company's subsidiary operating partnership (in such capacity, the "Operating Partnership"). The general partner of the Company and the Operating Partnership will be Enterprise Products GP, LLC (the "General Partner"), a newly-formed Delaware limited liability company and wholly-owned subsidiary of EPCO. The General Partner will own an aggregate 2% interest in the Company and the Operating Partnership. In addition, a wholly-owned subsidiary of EPCO will own 33,022,222 Common Units and 23,604,444 Subordinated Units, representing a 43.8% interest and 31.3% interest, respectively, in the Company and the Operating Partnership on a combined basis. The Common Units and the Subordinated Units

are collectively referred to herein as the "Units." Holders of the Common Units and the Subordinated Units are collectively referred to herein as "Unitholders."

The Company will furnish or make available to record holders of Common Units (i) within 120 days after the close of each fiscal year, an annual report containing audited financial statements and a report thereon by its independent public accountants and (ii) within 90 days after the close of each quarter (other than the fourth quarter), a quarterly report containing unaudited summary financial information. The Company will also furnish each Unitholder with tax information within 90 days after the close of each calendar year.

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PROSPECTUS SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and historical and pro forma financial data appearing elsewhere in this Prospectus. The transactions related to the formation of the Company, this offering and the other transactions to occur in connection with this offering are referred to in this Prospectus as the "Transactions." See "The Transactions." Unless otherwise specified, the information in this Prospectus assumes that the Transactions have been consummated and that the Underwriters' over-allotment option has not been exercised. Except as the context otherwise requires, references to, or descriptions of, assets and operations of the Company in this Prospectus include the assets and operations of the Operating Partnership and its subsidiary entities as well as the predecessors of the Company. References to percentage ownership of the Company reflect the approximate effective ownership interest in the Company and the Operating Partnership on a combined basis. References herein to average daily production and average daily production capacity at the Company's facilities are based on calendar days. A glossary of certain terms used in this Prospectus is included as Appendix C to this Prospectus.

ENTERPRISE PRODUCTS PARTNERS L.P.

THE COMPANY

The Company is a leading integrated provider of processing and transportation services to producers of NGLs and consumers of NGL products. The Company (i) fractionates for a processing fee mixed NGLs produced as by-products of oil and natural gas production into their component products: ethane, propane, isobutane, normal butane and natural gasoline ("NGL products"); (ii) converts normal butane to isobutane through the process of isomerization; (iii) produces MTBE from isobutane and methanol; and (iv) transports NGL products to end users by pipeline and railcar. The Company also separates high purity propylene from refinery-sourced propane/propylene mix and transports high purity propylene to plastics manufacturers by pipeline. Products processed by the Company generally are used as feedstocks in petrochemical manufacturing, in the production of motor gasoline and as fuel for residential and commercial heating. In 1997, on a pro forma basis, the Company had revenues, combined EBITDA and EBITDA in unconsolidated affiliates and net income of $1.0 billion, $119.3 million and $92.9 million, respectively.

The Company's processing operations are concentrated in Mont Belvieu, Texas, which is the hub of the domestic NGL industry and is adjacent to the largest concentration of refineries and petrochemical plants in the United States. The facilities operated by the Company at Mont Belvieu include: (i) one of the largest NGL fractionation facilities in the United States with an average production capacity of 210,000 barrels per day; (ii) the largest butane isomerization complex in the United States with an average isobutane production capacity of 116,000 barrels per day; (iii) one of the largest MTBE production facilities in the United States with an average production capacity of 14,800 barrels per day; and (iv) two propylene fractionation units with an average combined production capacity of 30,000 barrels per day. The Company owns all of the assets at its Mont Belvieu facility except for the NGL fractionation facility, in which it owns an effective 37.0% interest; one of the propylene fractionation units, in which it owns a 54.6% interest and controls the remaining interest through a long-term lease; the MTBE plant, in which it owns a 33 1/3% interest; and one of its three isomerization units and one deisobutanizer which are held under long-term leases with purchase options. The Company also owns and operates approximately 35 million barrels of storage capacity at Mont Belvieu and elsewhere that are an integral part of its processing operations, a network of approximately 500 miles of pipelines along the Gulf Coast, one of only two NGL import/export terminals on the Gulf Coast, and an NGL fractionation facility in Petal, Mississippi with an average production capacity of 7,000 barrels per day.

The Company's operating margins are derived from services provided to tolling customers and from merchant activities. Over the past five years, volumes from toll processing operations and merchant activities accounted for an average of approximately 77% and 23% of the Company's total sales volumes, respectively. In

its toll processing operations, the Company does not take title to the product and is simply paid a fee based on volumes processed. The Company's profitability from toll processing operations depends primarily on the volumes of NGLs and refinery-sourced propane/propylene mix processed and transported and the level of associated fees charged to its customers. The profitability of the Company's toll processing operations is largely unaffected by short-term fluctuations in the prices for oil, natural gas or NGLs. In its merchant activities, the Company takes title to feedstock products and sells processed end products. The Company's profitability from merchant activities is dependent on the prices of its feedstocks and end products, which typically vary on a seasonal basis. In its merchant activities, the Company generally seeks to minimize commodity price exposure by matching the timing and price of its feedstock purchases with sales of end products.

The Company has expanded rapidly since its inception in 1968, primarily through internal growth and the formation of joint ventures. During the five years ended December 31, 1997, the Company's EBITDA and its EBITDA in unconsolidated affiliates increased on a combined basis at a compound annual rate of 19.7%. This growth reflects the increased demand for NGL processing due to increased domestic natural gas production and crude oil refining and increased demand for processed NGLs in the petrochemical industry. Over the last four years the Company has increased its NGL fractionation capacity by approximately 27%, built a third isomerization unit that increased its isobutane production capacity by approximately 60%, increased deisobutanizer capacity by approximately 54%, constructed a second propylene fractionation unit which approximately doubled production capacity and made its investment in the MTBE facility at Mont Belvieu. The Company believes that the demand for its services will continue to increase, principally as a result of expected increases in natural gas production, particularly in the Gulf of Mexico, and generally increasing domestic and worldwide petrochemical production. Accordingly, the Company has initiated several new projects, including three that are currently in construction.

COMPETITIVE STRENGTHS

The Company believes that it is well positioned to compete in the NGL processing industry and that its most significant competitive strengths are:

- Strategic Location. The Company's operations are strategically located on the Gulf Coast, the most significant marketplace for domestic and imported NGLs due to the availability of processing, storage and import facilities, pipeline distribution systems and petrochemical and refinery end-product demand. The Company can access domestic NGL supplies from the Gulf of Mexico, East Texas/Louisiana, Mid-Continent, West Texas/New Mexico and Rocky Mountain regions and can also access imported supplies via its import/export facility on the Houston ship channel. The Company supplies NGL products, MTBE and high purity propylene to consumers located principally in the Gulf Coast, the region with the largest concentration of petrochemical plants and refineries in the United States. In 1997 Texas and Louisiana accounted for the production of approximately 55% of domestic NGLs and the consumption of approximately 80% of NGL products.

- Significant Market Position. The Company is a leading participant in each of its processing businesses. The Company's Mont Belvieu NGL fractionation facilities account for approximately 37% of the NGL fractionation capacity at Mont Belvieu and approximately 18% of total domestic commercial NGL fractionation capacity (excluding capacity at captive facilities of producers who fractionate their own NGL production, primarily for internal use). The Company's butane isomerization units account for more than 70% of the commercial isobutane production capacity in the United States, and the Company's propylene fractionation units represent approximately 23% of domestic commercial production capacity for high purity propylene.

- Large-Scale Integrated Operations. The Company believes that its operating costs are significantly lower than those of its competitors because of the efficiencies and integrated design of its Mont Belvieu facilities. The Company engineered its facilities to incorporate efficient gas turbines, a proprietary heat pump design and cogeneration technology to reduce energy costs, which are the largest component of

operating costs in NGL processing. Because of its integrated operations, the Company also is able to profitably use by-products such as propane/propylene mix, mixed butanes, hydrogen and natural gasoline in its own plants and distribution systems, resulting in fuel and feedstock cost reductions and additional sales revenue. Additionally, the Company's infrastructure, available land and storage assets at Mont Belvieu provide it with a platform for cost-effective expansion.

- Strategic Relationships with Major Oil, Natural Gas and Petrochemical Companies. The Company benefits from established long-term relationships with many of its suppliers and customers, who include Amoco, ARCO, Burlington Resources, Enron, Exxon, Koch Industries, Mitchell, Mobil, Montell, Shell, Sun, Texaco, Union Pacific Resources and Williams. The Company believes that many of its suppliers and customers prefer to conduct business with an independent operator, such as the Company, that generally does not compete with their petrochemical and refining operations. Additionally, the Company's Mont Belvieu NGL fractionation and MTBE production assets are jointly owned with certain of its suppliers and customers. The owners of these facilities have agreed to fractionate all or a substantial portion of the NGLs which they deliver to the Mont Belvieu area through the fractionation units operated by the Company. Similarly, Sun, one of the Company's joint venture partners in its MTBE production facility, has contracted to purchase all of the MTBE produced by the facility through May 2005, and each of the joint venture partners has agreed to supply an equal share of the MTBE production facility's isobutane feedstock requirements. Sun and Mitchell, the other MTBE joint venture partner, also have agreed to deliver normal butane to the Company's isomerization facilities for processing in order to satisfy their obligations to supply isobutane to the MTBE production facility.

- Experienced Operator. The Company has historically operated substantially all of its processing and transportation assets. As one of the leading integrated providers of NGL-related services, the Company has established a reputation in the industry as a reliable and cost-effective operator. By virtue of its successful operating record and substantial infrastructure, the Company believes it is well positioned to continue to operate as a large-scale processor of NGLs and other products for its customers.

- Significant Financial Flexibility. Immediately following this offering, the Company will have no indebtedness and an undrawn $120 million revolving credit facility. The Company will also have the ability to issue new Units, which, combined with its substantial borrowing capacity, should give the Company the resources to finance strategic opportunities as they arise. Such opportunities may include new projects, joint ventures or acquisitions.

- Experienced Management Team. The Company's senior management team averages more than 30 years of industry experience and more than 18 years with the Company.

BUSINESS STRATEGY

The Company's business strategy is to manage its operations in a manner that will enable it to pay the Minimum Quarterly Distribution on all the Units and to increase the per Unit value of the Company's assets and cash flow. The Company intends to pursue this strategy principally by:

- Capitalizing on Expected Increases in NGL Production. The Company believes that production of both oil and natural gas in the Gulf of Mexico will continue to increase over the next several years. The Company intends to capitalize on its existing infrastructure, market position, strategic relationships and financial flexibility to expand its operations to meet the anticipated increased demand for NGL processing services. Of particular significance will be production associated with the development of natural gas fields in Mobile Bay and the Gulf of Mexico offshore Louisiana, which are expected to produce natural gas with significantly higher NGL content than typical domestic production. The Company believes that the Gulf Coast is the only major marketplace that has sufficient storage facilities, pipeline distribution systems and petrochemical and refining demand to absorb this new NGL production.

. Expanding through Construction of Identified New Facilities. The Company has entered into a letter of intent to participate in a joint venture to own a new 60,000 barrel per day NGL fractionation facility (expandable to 100,000 barrels per day) near Baton Rouge, Louisiana that will be constructed and operated by the Company and will service NGL production from the Mobile Bay/Pascagoula and Louisiana areas. As part of this project, the Company has also entered into letters of intent to participate in the Tri-States and Wilprise NGL pipeline systems, which will transport NGLs from Mobile Bay to near Baton Rouge. The Company has also entered into a letter of intent to participate in a joint venture to own an NGL product refrigeration unit (a "chiller") that will be constructed and operated by the Company at its NGL import/export facility. This chiller will improve the Company's ability to load refrigerated butane and propane onto tankers for export markets.

The Company's participation in these new projects is described in the following table:

PROJECT	STATUS	PLANNED START-UP DATE	ESTIMATED COST TO THE COMPANY (IN MILLIONS)	COMPANY'S OWNERSHIP PERCENTAGE
Baton Rouge Fractionator...........	In construction	First Quarter 1999	$20.0	26.5%
Tri-States Pipeline.....	In construction	First Quarter 1999	10.0	16.7%
Wilprise Pipeline.......	In construction	Fourth Quarter 1998	8.0	33.3%
NGL Product Chiller.....	In negotiation	Third Quarter 1999	8.5	50.0%

. Investing with Strategic Partners. The Company believes that strategic partnerships with significant oil and natural gas producers and petrochemical companies play an essential role in establishing the viability of significant new investments, and the Company will continue to seek opportunities to expand its businesses, through joint ventures or long-term contracts, to meet the growing demand for its services. For example, the Company will be partners with Amoco, Exxon and Williams on the Baton Rouge fractionation facility; with Amoco, Duke, Koch Industries, Tejas (a Shell subsidiary) and Williams on the Tri-States Pipeline; and with Amoco and Williams on the Wilprise Pipeline.

. Minimizing Commodity Price Exposure. A substantial portion of the Company's operations are conducted pursuant to tolling contracts or involve NGL transportation where the Company does not take title to its customer's products, but rather processes or transports a raw feedstock for a fee. Accordingly, the Company's profitability and cash flow are influenced primarily by the volume of products processed or transported through its system and by the fee or tariff for the services it performs. When the Company does take title to the products it processes, primarily to satisfy requirements under sales contracts with customers, it generally attempts to match the timing and price of its feedstock purchases with those of the sales of end products so as to minimize exposure to fluctuations in commodity prices.

SUMMARY HISTORICAL AND PRO FORMA FINANCIAL AND OPERATING DATA

The following table sets forth for the periods and at the dates indicated summary historical and pro forma financial and operating data for the Company. The summary historical data for each of the five years in the period ended December 31, 1997, are derived from the Company's audited financial statements included elsewhere in this Prospectus and should be read in conjunction therewith. The summary pro forma financial and operating data of the Company are derived from the unaudited pro forma consolidated financial statements included elsewhere in this Prospectus and should be read in conjunction therewith. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations." The dollar amounts in the table below, except per Unit data, are in thousands.

	YEAR ENDED DECEMBER 31,					PRO FORMA YEAR ENDED DECEMBER 31,
	1993	1994	1995	1996	1997	1997
INCOME STATEMENT DATA:						
Revenues	$551,054	$586,609	$790,080	$999,506	$1,020,281	$1,020,281
Operating costs and expenses	505,454	533,929	726,207	906,367	937,068	935,968
Operating margin:						
Fractionation(1)	9,496	13,595	11,547	11,640	11,058	12,158
Isomerization(1)	15,892	12,878	24,834	50,050	38,061	38,061
Propylene Fractionation	11,898	13,248	18,685	20,087	20,442	20,442
Pipelines	8,238	12,807	8,684	11,270	13,520	13,520
Other	76	152	123	92	132	132
Total operating margin	45,600	52,680	63,873	93,139	83,213	84,313
Selling, general and administrative expenses	21,771	17,977	22,822	24,345	23,235	12,000
Operating income	23,829	34,703	41,051	68,794	59,978	72,313
Interest expense	(21,297)	(21,790)	(24,349)	(21,290)	(23,743)	--
Interest income	1,809	2,477	554	2,705	1,934	5,230
Equity in income of unconsolidated affiliates:						
Mont Belvieu Associates(2)	3,095	7,257	6,167	6,004	6,377	6,377
Belvieu Environmental Fuels(3)	--	--	6,107	9,752	9,305	9,305
Gain (loss) on sale of assets	--	4,271	7,948	--	(155)	(155)
Other income (expense) net	38	45	305	364	793	793
Income before minority interest	7,474	26,963	37,783	66,329	54,489	93,863
Minority interest(4)	75	270	378	663	545	939
Net income	$ 7,399	$ 26,693	$ 37,405	$ 65,666	$ 53,944	$ 92,924
Net income per Unit(5)						$ 1.25
BALANCE SHEET DATA (AT PERIOD END):						
Working capital (deficit)(6)	$ 12,214	$(11,646)	$ (1,916)	$(17,098)	$ (25,039)	$ 46,504
Total assets	527,325	574,196	610,895	712,194	698,263	791,109
Long-term debt	259,455	250,556	223,139	246,088	260,541	--
Combined equity/Partner's equity	191,320	208,634	257,660	276,908	282,428	636,514
OTHER FINANCIAL DATA:						
EBITDA(7)	$ 46,586	$ 55,244	$ 64,807	$ 86,942	$ 79,689	$ 94,926
EBITDA of unconsolidated affiliates(8)	4,859	7,198	18,520	25,012	24,372	24,371

OPERATING DATA(9):						
Fractionation(1)						
Production...........	145	176	173	183	209	209
Volume from tolling operations..........	89%	91%	94%	89%	86%	86%
Isomerization(1)						
Production...........	66	66	67	71	67	67
Volume from tolling operations..........	66%	68%	86%	84%	92%	92%
MTBE						
Production...........	--	8	10	13	14	14
Volume from tolling operations..........	--	--	--	--	--	--
Propylene Fractionation						
Production...........	16	14	16	17	26	26
Volume from tolling operations..........	36%	35%	35%	33%	51%	51%

See notes on following page

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(1) Fractionation operating margin includes NGL fractionation and the processing fees associated with mixed butane fractionation. Isomerization operating margin includes the Company's isomerization operations and the profits from the sale of isobutane fractionated from mixed butane in the Company's deisobutanizer units.

(2) Consists of the Company's 49% interest in Mont Belvieu Associates, a general partnership that owns a 50% undivided interest in the NGL fractionation facilities operated by the Company at Mont Belvieu. The Company directly owns an additional 12.5% undivided interest in such NGL fractionation facilities, giving it an effective 37.0% interest in the facilities. The revenues and costs associated with this 12.5% interest are included in the Company's revenues and operating costs and expenses.

(3) Consists of the Company's 33 1/3% interest in Belvieu Environmental Fuels ("BEF"), a general partnership that owns the MTBE facility operated by the Company at Mont Belvieu.

(4) Reflects the General Partner's 1% minority interest in the Operating Partnership's net income.

(5) Net income per Unit is computed by dividing the limited partners' 99% interest in net income by the number of Units expected to be outstanding at the closing of this offering.

(6) Excludes short-term debt and current maturities of long-term debt.

(7) EBITDA is defined as net income plus depreciation and amortization and interest expense less equity in income of unconsolidated affiliates. EBITDA should not be considered as an alternative to net income, operating income, cash flow from operations or any other measure of financial performance presented in accordance with generally accepted accounting principles. EBITDA is not intended to represent cash flow and does not represent the measure of cash available for distribution, but provides additional information for evaluating the Company's ability to make the Minimum Quarterly Distribution.

(8) Represents the Company's pro rata share of net income, depreciation and amortization and interest expense of the unconsolidated affiliates.

(9) Production volumes represent average daily production in thousands of barrels per day. Production volume for fractionation includes gross production volumes for the NGL fractionation facilities in which the Company owns an effective 37.0% interest. Production volume for MTBE reflects gross production volumes for the BEF facility in which the Company owns an undivided 33 1/3% interest. MTBE production at the BEF facility began in 1994.

SUMMARY OF RISK FACTORS

Limited partner interests are inherently different from capital stock of a corporation, although many of the business risks to which the Company will be subject are similar to those that would be faced by a corporation engaged in a similar business. Prospective purchasers of the Common Units should consider the following risk factors in evaluating an investment in the Common Units.

RISKS INHERENT IN AN INVESTMENT IN THE COMPANY

- The Minimum Quarterly Distribution is not guaranteed. The actual amounts of cash distributions may fluctuate and will depend on the Company's future operating performance. Cash distributions are dependent primarily on cash flow, including cash flow from reserves and working capital borrowings, and not solely on profitability, which is affected by non-cash items. Therefore, cash distributions might be made during periods when the Company records losses and might not be made during periods when the Company records profits. Decisions of the General Partner with respect to the amount and timing of cash expenditures, borrowings, issuances of additional Units and reserves will affect the amount of Available Cash.

- Pro forma Available Cash from Operating Surplus generated during 1997 (as calculated in Appendix D) would have been sufficient to cover the Minimum Quarterly Distribution for 1997 on all of the Common Units, but would have been insufficient by approximately $7.4 million to cover the Minimum Quarterly Distribution on all the Subordinated Units and the related distribution on the general partner interests.

- In establishing the terms of this offering, including the number and initial public offering price of the Common Units, the number of Common Units and Subordinated Units to be received by EPCO and the Minimum Quarterly Distribution, the Company has relied on certain assumptions concerning its operations. Whether the assumptions are realized is not, in many cases, within the control of the Company and cannot be predicted with any degree of certainty. In the event that the Company's assumptions are not realized, the actual Available Cash from Operating Surplus generated by the Company could be substantially less than that currently expected and may be less in any quarter than the Minimum Quarterly Distribution.

- The General Partner will manage and operate the Company. Holders of Common Units will have no right to elect the General Partner on an annual or other continuing basis and will have only limited voting rights on matters affecting the Company's business. The General Partner may not be removed except pursuant to the vote of the holders of at least 66 2/3% of the outstanding Units (including Units owned by the General Partner and its affiliates). The ownership of an aggregate of 76.7% of the combined Common Units and Subordinated Units by a wholly-owned subsidiary of EPCO, the parent of the General Partner, gives EPCO the ability to prevent the General Partner's removal. As a result, holders of Common Units will have limited influence on matters affecting the operations of the Company.

- Subject to certain limitations, the Company may issue additional Common Units and other interests in the Company, the effect of which may be to dilute the value of the interests of the then-existing holders of Common Units in the net assets of the Company, dilute the interests of holders of Common Units in cash distributions by the Company or reduce the benefits to the holders of the Common Units provided by the subordination feature of the Subordinated Units.

- The Company's Amended and Restated Agreement of Limited Partnership (the "Partnership Agreement") contains certain provisions that may have the effect of discouraging a person or group from attempting to remove the General Partner or otherwise change the management of the Company. The effect of these provisions may be to diminish the price at which the Common Units will trade under certain circumstances.

- Purchasers of Common Units in this offering will experience substantial and immediate dilution in net tangible book value of $ per Common Unit from the initial public offering price (assuming an initial public offering price of $ per Common Unit).

- Prior to making any cash distributions on the Common Units, the Company will reimburse the General Partner and its affiliates for certain expenses incurred by the General Partner and its affiliates on behalf of the Company. Such reimbursable expenses will include expenses incurred by EPCO under an agreement with the General Partner and the Company (the "EPCO Agreement"), pursuant to which EPCO will manage the business and affairs of the Company. Pursuant to the EPCO Agreement, EPCO will be reimbursed at cost for all expenses that it incurs in connection with managing the business and affairs of the Company, except that EPCO will not be entitled to be reimbursed for any selling, general and administrative expenses. In lieu of reimbursement for such selling, general and administrative expenses, EPCO will be entitled to receive an administrative services fee that will initially equal $12.0 million. The General Partner, with approval and consent of the Audit and Conflicts Committee of the Board of Directors of the General Partner (the "Audit and Conflicts Committee"), will have the right to agree to increases in such administrative services fee of up to 10% each year during the 10-year term of the EPCO Agreement and may agree to further increases in such fee in connection with expansions of the Company's operations through the construction of new facilities or the completion of acquisitions that require additional management personnel. The reimbursement by the Company of such expenses and the payment of such fee could adversely affect the ability of the Company to make cash distributions to the Unitholders.

- Prior to this offering, there has been no public market for the Common Units. The initial public offering price for the Common Units will be determined through negotiations between the General Partner and the representatives of the Underwriters. No assurance can be given as to the market prices at which the Common Units will trade.

- If at any time less than 20% of the then-issued and outstanding Common Units are held by persons other than the General Partner and its affiliates, the General Partner will have the right, which it may assign to any of its affiliates or the Company, to acquire all, but not less than all, of the remaining Common Units held by such unaffiliated persons at a price generally equal to the then-current market price of the Common Units. As a consequence, a holder of Common Units may be required to sell his Common Units at a time when he may not desire to sell them or at a price that is less than the price he would desire to receive upon such sale. A holder may also incur a tax liability upon such sale.

- Under certain circumstances, holders of the Common Units could lose their limited liability and could become liable for amounts improperly distributed to them by the Company.

- The holders of the Common Units have not been represented by counsel in connection with this offering, including the preparation of the Partnership Agreement or the other agreements referred to herein or in establishing the terms of this offering.

RISKS INHERENT IN THE COMPANY'S BUSINESS

- The Company's revenues and profitability are affected by various factors beyond the Company's control, including the demand for NGL products, MTBE and propylene, which are in turn affected by general economic conditions, petrochemical production, motor gasoline production and regulations affecting the composition of motor gasoline. The Company's revenues and profitability are also affected by the supply of mixed NGLs for fractionation, which is in turn affected primarily by the level of domestic natural gas production, domestic crude oil refining and imports of mixed butanes.

- The Company currently derives a significant portion of its revenues from transactions with certain key customers. Although some of these customers have ownership interests in the facilities whose services they use, the loss of these or other significant customers could materially adversely affect the Company's results of operations.

- The Company competes with major oil, natural gas and petrochemical companies that may have greater financial resources than the Company.

- The Company has entered into non-binding letters of intent for several construction projects. There can be no assurance that definitive agreements for these projects will ultimately be signed, what the terms of these agreements will be, that the projects will be consummated or, if consummated, that the projects will be completed on time or within budget.

- The Company's operations are subject to all operating hazards and risks normally incidental to processing, storing and transporting and otherwise providing NGLs, MTBE and propylene for use by third parties. Although the Company maintains insurance against these risks, there can be no assurance that such insurance will be adequate to protect the Company and that such insurance will be available in the future on commercially reasonable terms.

- The Company's businesses are subject to governmental regulation with respect to environmental, safety and other regulatory matters.

- The Company believes that its success will depend to a significant extent upon the efforts and abilities of EPCO's senior management team. The failure by EPCO to retain the key members of its senior management team or to implement a succession plan to prepare qualified individuals to join the senior management team upon the retirement of certain individuals could adversely affect the financial condition or results of operations of the Company.

CONFLICTS OF INTEREST AND FIDUCIARY RESPONSIBILITIES

- The General Partner and its affiliates may have conflicts of interest with the Company and the Unitholders. The Partnership Agreement contains certain provisions that limit the liability and reduce the fiduciary duties of the General Partner to the Unitholders, as well as provisions that may restrict the remedies available to Unitholders for actions that might, without such limitations, constitute breaches of fiduciary duty. Holders of Common Units are deemed to have consented to certain actions and conflicts of interest that might otherwise be deemed a breach of fiduciary or other duties under applicable state law.

- Decisions of the General Partner with respect to the amount and timing of borrowings, cash expenditures, asset sales or acquisitions, the issuance of additional securities and the creation, reduction or increase of reserves will affect whether, or the extent to which, there is sufficient Available Cash from Operating Surplus to meet the Minimum Quarterly Distribution and Target Distribution Levels on all Units in a given quarter. In addition, actions by the General Partner may have the effect of enabling the General Partner or its affiliates to receive distributions on the Subordinated Units or Incentive Distributions or hastening the expiration of the Subordination Period or the conversion of Subordinated Units into Common Units.

- The Partnership Agreement provides that the General Partner will generally be restricted from engaging in any business activities other than those incidental to its ownership of interests in the Company. Except for the restrictions set forth in the EPCO Agreement, EPCO and its affiliates (other than the General Partner) will be free to engage in any type of business or activity whatsoever, including those that may be in direct competition with the Company. Pursuant to the EPCO Agreement, for so long as the General Partner is an affiliate of EPCO, EPCO and its affiliates will be prohibited from engaging in any business or activity within North America that is of the type currently conducted by EPCO and its affiliates (other than businesses or activities of the type associated with the Retained Assets), unless EPCO or such affiliate has first presented the opportunity to engage in such business or activity to the Company and the General Partner (with the concurrence of the Audit and Conflicts Committee) has elected not to have the Company pursue such opportunity. There can be no assurance, however, that there will not be competition between the Company and affiliates of the General Partner in the future.

TAX RISKS

- The availability to a Common Unitholder of the federal income tax benefits of an investment in the Company depends on the classification of the Company as a partnership for federal income tax purposes. Assuming the accuracy of certain factual matters as to which the General Partner and the Company have made representations, Vinson & Elkins L.L.P., special counsel to the General Partner and the Company, is of the opinion that, under current law, the Company will be classified as a partnership for federal income tax purposes.

- No ruling has been requested from the Internal Revenue Service (the "IRS") with respect to classification of the Company as a partnership for federal income tax purposes or any other matter affecting the Company.

- A Unitholder will be required to pay income taxes on his allocable share of the Company's income, whether or not he receives cash distributions from the Company.

- Investment in Common Units by certain tax-exempt entities, regulated investment companies and foreign persons raises issues unique to such persons. For example, much of the taxable income derived from the ownership of a Common Unit by most organizations exempt from federal income tax (including individual retirement accounts ("IRAs") and other retirement plans) will be unrelated business taxable income and, thus, will be taxable to such a Unitholder.

- In the case of taxpayers subject to the passive loss rules (generally, individuals and closely-held corporations), losses generated by the Company will generally only be available to offset future income generated by the Company and cannot be used to offset income from other activities, including other passive activities or investments. Passive losses which are not deductible because they exceed the Unitholder's income generated by the Company may be deducted in full when the Unitholder disposes of his entire investment in the Company to an unrelated party in a fully taxable transaction.

- The General Partner has applied for registration of the Company with the Secretary of the Treasury as a "tax shelter." No assurance can be given that the Company will not be audited by the IRS or that tax adjustments will not be made. Any adjustments in the Company's tax returns will lead to adjustments in the Unitholders' tax returns and may lead to audits of the Unitholders' tax returns and adjustments of items unrelated to the Company.

- A Unitholder likely will be required to file state and local income tax returns and pay state and local income taxes in some or all of the various jurisdictions in which the Company does business or owns property. The Company will initially own property and conduct business in Alabama, Louisiana, Mississippi and Texas.

See "Risk Factors," "Cash Distribution Policy," "Cash Available for Distribution," "Conflicts of Interest and Fiduciary Responsibilities," "The Partnership Agreement" and "Tax Considerations" for a more detailed description of these and other risk factors and conflicts of interest that should be considered in evaluating an investment in the Common Units.

CASH AVAILABLE FOR DISTRIBUTION

Based on the amount of working capital that the Company is expected to have at the time it commences operations and the availability under its $120 million revolving credit facility, the Company believes that, if its assumptions about operating conditions are realized, the Company should have sufficient Available Cash from Operating Surplus to enable the Company to distribute the Minimum Quarterly Distribution on the Common Units and Subordinated Units to be outstanding immediately after the consummation of this offering, and the related distribution on the combined 2% interest of the General Partner, with respect to each of its quarters at least through the quarter ending June 30, 2001. The Company's belief is based on a number of assumptions, including assumptions that (i) total operating margins generated from the Company's existing assets will remain generally consistent with total margins recognized by the Company in 1997; (ii) the Company's identified new projects will become operational as scheduled and will result in anticipated levels of operating margins; (iii) the Company will not experience any significant accidents or business interruptions, regardless of whether such accidents or interruptions are covered by insurance; (iv) there will be no regulatory changes that materially adversely affect the Company's operations; and (v) market and overall economic conditions will not change substantially. Although the Company believes such assumptions are within a range of reasonableness, whether the assumptions are realized is not, in a number of cases, within the control of the Company and cannot be predicted with any degree of certainty. If the Company's assumptions are not realized, Available Cash from Operating Surplus generated by the Company could be substantially less than that currently expected and could, therefore, be insufficient to permit the Company to make cash distributions at the levels described above. See "Risk Factors--Risks Inherent in an Investment in the Company--The Company's Assumptions Concerning Future Operations May Not Be Realized." Accordingly, no assurance can be given that distributions of the Minimum Quarterly Distribution or any other amounts will be made. The Company does not intend to update the expression of belief set forth above. See "Cash Distribution Policy" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The amount of Available Cash from Operating Surplus needed to distribute the Minimum Quarterly Distribution for four quarters on the Common Units and Subordinated Units to be outstanding immediately after this offering and on the combined 2% interest of the General Partner is approximately $135.6 million ($90.4 million for the Common Units, $42.5 million for the Subordinated Units and $2.7 million for the combined 2% interest of the General Partner). If the Underwriters' over-allotment option is exercised in full, such amounts will be $95.0 million for the Common Units, $42.5 million for the Subordinated Units and $2.8 million for the combined 2% interest of the General Partner, or an aggregate of approximately $140.3 million. The amount of pro forma Available Cash from Operating Surplus generated during 1997 was approximately $128.2 million. Such amount would have been sufficient to cover the Minimum Quarterly Distribution for 1997 on all of the Common Units, but would have been insufficient by approximately $7.4 million to cover the Minimum Quarterly Distribution on all the Subordinated Units and the related distribution on the general partner interests. The amount of pro forma Available Cash from Operating Surplus for 1997 set forth above was derived from the pro forma and historical financial statements of the Company in the manner set forth in Appendix D. The pro forma adjustments are based upon currently available information and certain estimates and assumptions. The pro forma financial statements do not purport to present the results of operations of the Company had the Transactions actually been completed as of the dates indicated. Furthermore, Available Cash from Operating Surplus as defined in the Partnership Agreement is a cash accounting concept, while the Company's historical and pro forma financial statements have been prepared on an accrual basis. As a consequence, the amount of pro forma Available Cash from Operating Surplus shown above should only be viewed as a general indication of the amount of Available Cash from Operating Surplus that might in fact have been generated by the Company had it been formed in earlier periods. For definitions of Available Cash and Operating Surplus, see the Glossary.

COMPANY STRUCTURE AND MANAGEMENT

The Company is a Delaware limited partnership recently formed to acquire, own and operate substantially all of the NGL, isomerization, MTBE and propylene processing and distribution assets of EPCO. The operations of the Company will be conducted through, and the operating assets will be owned by, the Operating Partnership and various subsidiary entities. Upon consummation of the Transactions, the Company will own a 98.9899% limited partner interest in the Operating Partnership, and the General Partner will own a 1% general partner interest in the Company and a 1.0101% limited partner interest in the Operating Partnership. The General Partner therefore will own an aggregate 2% interest in the Company and the Operating Partnership on a combined basis.

The General Partner will be responsible for the management and operation of the Company's business. In accordance with the Partnership Agreement, the Company, the General Partner and EPCO will enter into the EPCO Agreement pursuant to which the senior management and employees of EPCO will continue to manage and operate the Company's business. Pursuant to the EPCO Agreement, EPCO will be reimbursed at cost for all expenses that it incurs in connection with managing the business and affairs of the Company, except that EPCO will not be entitled to be reimbursed for any selling, general and administrative expenses. In lieu of reimbursement for such selling, general and administrative expenses, EPCO will be entitled to receive an administrative services fee that will initially equal $12.0 million. The General Partner, with the approval and consent of the Audit and Conflicts Committee, will have the right to agree to increases in such administrative services fee of up to 10% each year during the 10-year term of the EPCO Agreement and may agree to further increases in such fee in connection with expansions of the Company's operations through the construction of new facilities or the completion of acquisitions that require additional management personnel.

Conflicts of interest may arise between the General Partner and its affiliates, on the one hand, and the Company, the Operating Partnership and the Unitholders, on the other, including conflicts relating to the compensation of the directors, officers and employees of EPCO and/or the General Partner, increases in the administrative services fee in accordance with the EPCO Agreement and the determination of fees and expenses that are allocable to the Company. The Audit and Conflicts Committee will consist of two independent members of the General Partner's Board of Directors that will be available at the General Partner's discretion to review matters involving conflicts of interest. See "Management" and "Conflicts of Interest and Fiduciary Responsibilities."

The Company's principal executive office is located at 2727 North Loop West, Houston, Texas, and its telephone number is (713) 880-6500.

The following chart depicts the organization and ownership of the Company and the Operating Partnership immediately after giving effect to the consummation of the Transactions, including the sale of the Common Units offered hereby, and assuming that the Underwriters' over-allotment option is not exercised. The percentages reflected in the chart represent the approximate ownership interest in each of the Company and the Operating Partnership individually and not on an aggregate basis. Except in the chart, the ownership percentages referred to in this Prospectus reflect the approximate effective ownership interest of the Unitholders in the Company and the Operating Partnership on a combined basis. The 2% ownership percentage of the General Partner referred to in this Prospectus reflects the approximate effective ownership interest of the General Partner in the Company and the Operating Partnership on a combined basis.

[Chart appears here]

THE OFFERING

Securities Offered	17,200,000 Common Units (19,780,000 Common Units if the Underwriters' over-allotment option is exercised in full).
Units to be Outstanding After the Offering	50,222,222 Common Units and 23,604,444 Subordinated Units, representing an aggregate 66.7% and 31.3% limited partner interest in the Company, respectively. If the Underwriters' over-allotment option is exercised in full, 2,580,000 additional Common Units will be issued by the Company, resulting in there being 52,802,222 Common Units and 23,604,444 Subordinated Units outstanding, representing an aggregate 67.7% and 30.3% limited partner interest in the Company, respectively.
Distributions of Available Cash	Available Cash will generally be distributed 98% to Unitholders and 2% to the General Partner within 45 days after the end of each quarter. If distributions of Available Cash from Operating Surplus exceed specified target levels ("Target Distribution Levels") that are in excess of the Minimum Quarterly Distribution, the General Partner will receive a percentage of such excess distributions that will increase to up to 50% of the excess distributions above the highest Target Distribution Level. See "Cash Distribution Policy--Incentive Distributions--Hypothetical Annualized Yield."
Distributions to Common and Subordinated Unitholders	The Company intends, to the extent there is sufficient Available Cash from Operating Surplus, to distribute to each holder of Common Units at least the Minimum Quarterly Distribution of $0.45 per Common Unit per quarter. The Minimum Quarterly Distribution is not guaranteed and is subject to adjustment as described under "Cash Distribution Policy--Adjustment of Minimum Quarterly Distribution and Target Distribution Levels." The first distribution to the Unitholders will be made within 45 days after the quarter ending September 30, 1998. The Minimum Quarterly Distribution for the period from the closing of this offering through September 30, 1998 will be adjusted downward based on the actual length of such period. With respect to each quarter during the Subordination Period, which will generally not end prior to June 30, 2003, the Common Unitholders will generally have the right to receive the Minimum Quarterly Distribution, plus any arrearages thereon ("Common Unit Arrearages"), and the General Partner will have the right to receive the related distribution on its general partner interest, before any distribution of Available Cash from Operating Surplus is made to the Subordinated Unitholders. This subordination feature will enhance the Company's ability to distribute the Minimum Quarterly Distribution on the Common Units during the Subordination Period. Subordinated Units will not accrue distribution arrearages. Upon

expiration of the Subordination Period, Common Units will no longer accrue distribution arrearages. See "Cash Distribution Policy."

Subordination Period........	The Subordination Period will generally extend from the closing of this offering until the first day of any quarter beginning after June 30, 2003 in respect of which (i) distributions of Available Cash from Operating Surplus on the Common Units and the Subordinated Units with respect to each of the three consecutive, non-overlapping, four-quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the outstanding Common Units and Subordinated Units during such periods, (ii) the Adjusted Operating Surplus generated during each of the three consecutive, non-overlapping, four-quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the Common Units and Subordinated Units that were outstanding during such period on a fully diluted basis and the related distribution on the general partner interest in the Company and (iii) there are no outstanding Common Unit Arrearages. Upon expiration of the Subordination Period, all remaining Subordinated Units will convert into Common Units on a one-for-one basis and will thereafter participate pro rata with the other Common Units in distributions of Available Cash. See "Cash Distribution Policy--Distributions from Operating Surplus during Subordination Period."
Early Conversion of Subordinated Units.........	Up to one-half of the Subordinated Units may convert into Common Units prior to the end of the Subordination Period. A portion of the Subordinated Units will convert into Common Units on the first day after the record date established for the distribution in respect of any quarter ending on or after (a) June 30, 2001 (with respect to one-quarter of the Subordinated Units) and (b) June 30, 2002 (with respect to one-quarter of the Subordinated Units), in respect of which (i) distributions of Available Cash from Operating Surplus on the Common Units and the Subordinated Units with respect to each of the three consecutive, non-overlapping, four-quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the outstanding Common Units and Subordinated Units during such periods, (ii) the Adjusted Operating Surplus generated during each of the three consecutive, non-overlapping, four-quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the Common Units and Subordinated Units that were outstanding during such period on a fully diluted basis and the related distribution on the general partner interest in the Company and (iii) there are no outstanding Common Unit Arrearages; provided, however, that the early conversion of the second one-quarter of Subordinated Units may not occur until at least one year following the early conversion of the first one-quarter of Subordinated Units. See "Cash Distribution Policy--Distributions from Operating Surplus during Subordination Period."

Incentive Distributions.....	If quarterly distributions of Available Cash exceed the Target Distribution Levels, the General Partner will receive distributions which are generally equal to 15%, then 25% and then 50% of the distributions of Available Cash that exceed such Target Distribution Levels. The Target Distribution Levels are based on the amounts of Available Cash from Operating Surplus distributed with respect to a given quarter that exceed distributions made with respect to the Minimum Quarterly Distribution and Common Unit Arrearages, if any. See "Cash Distribution Policy--Incentive Distributions--Hypothetical Annualized Yield." The distributions to the General Partner described above that are in excess of its combined 2% interest are referred to herein as the "Incentive Distributions."
Adjustment of Minimum Quarterly Distribution and Target Distribution Levels.....................	The Minimum Quarterly Distribution and the Target Distribution Levels are subject to downward adjustments in the event that the Unitholders receive distributions of Available Cash from Capital Surplus or legislation is enacted or existing law is modified or interpreted by the relevant governmental authority in a manner that causes the Company to be treated as an association taxable as a corporation or otherwise taxable as an entity for federal, state or local income tax purposes. If, as a result of distributions of Available Cash from Capital Surplus, the Unitholders receive a full return of the initial public offering price of the Common Units and any unpaid Common Unit Arrearages, the distributions of Available Cash payable to the General Partner will increase to 50% of all amounts distributed thereafter. See "Cash Distribution Policy--General," "--Distributions from Capital Surplus" and "--Adjustment of Minimum Quarterly Distribution and Target Distribution Levels."
Company's Ability to Issue Additional Units..........	The Partnership Agreement generally authorizes the Company to issue an unlimited number of additional limited partner interests and other equity securities of the Company for such consideration and on such terms and conditions as shall be established by the General Partner in its sole discretion without the approval of the Unitholders. During the Subordination Period, however, the Company may not issue equity securities ranking prior or senior to the Common Units or an aggregate of more than 25,000,000 Common Units (which number excludes Common Units issued upon the exercise of the Underwriters' over-allotment option, upon conversion of Subordinated Units, pursuant to employee benefit plans, upon conversion of the general partner interest and Incentive Distribution Rights as a result of the withdrawal of the General Partner or in connection with the making of certain acquisitions or capital improvements that are accretive on a per Unit basis) or an equivalent number of securities ranking on a parity with the Common Units, without the approval of the holders of at least a Unit Majority. A Unit Majority means, during the Subordination Period, at least a

majority of the outstanding Common Units (excluding Common Units held by the General Partner and its affiliates) and, after the Subordination Period, at least a majority of the outstanding Units. See "The Partnership Agreement--Issuance of Additional Securities."

Limited Call Right.......... If at any time less than 20% of the issued and outstanding Common Units are held by persons other than the General Partner and its affiliates, the General Partner may purchase all of the remaining Common Units at a price generally equal to the then current market price of the Common Units. See "The Partnership Agreement--Limited Call Right."

Limited Voting Rights....... Unitholders will not have voting rights except with respect to the following matters, for which the Partnership Agreement in most cases requires the approval of at least a Unit Majority: a sale or exchange of all or substantially all of the Company's assets, the removal or the withdrawal of the General Partner, the election of a successor General Partner, a dissolution or reconstitution of the Company, a merger of the Company, issuance of limited partner interests in certain circumstances, approval of certain actions of the General Partner (including the transfer by the General Partner of its general partner interest or Incentive Distribution Rights under certain circumstances) and certain amendments to the Partnership Agreement, including any amendment that would cause the Company to be treated as an association taxable as a corporation. After Subordinated Units convert into Common Units (either upon termination of the Subordination Period, early conversion of a portion of the Subordinated Units or removal of the General Partner without Cause), holders of such Common Units will vote as a single class together with the holders of the other Common Units. Under the Partnership Agreement, the General Partner generally will be permitted to effect, without the approval of Unitholders, amendments to the Partnership Agreement that do not adversely affect Unitholders. See "The Partnership Agreement."

Loss of Voting Rights in Certain Circumstances...... Any person or group (other than the General Partner and its affiliates) that acquires beneficial ownership of 20% or more of the Common Units will lose its voting rights with respect to all of its Common Units. See "The Partnership Agreement--Change of Management Provisions."

Removal and Withdrawal of the General Partner........ Subject to certain conditions, the General Partner may be removed upon the approval of the holders of at least 66 2/3% of the outstanding Units (including Units held by the General Partner and its affiliates) and the election of a successor general partner by the vote of the holders of a Unit Majority. A meeting of holders of the Common Units may be called only by the General Partner or by the holders of 20% or more of the outstanding Common Units. The ownership of an aggregate of 76.7% of the combined Common Units and Subordinated Units by a wholly-owned subsidiary of EPCO gives

EPCO the ability to prevent the General Partner's removal. The General Partner has agreed not to voluntarily withdraw as general partner of the Company and the Operating Partnership prior to June 30, 2008, subject to limited exceptions, without obtaining the approval of at least a Unit Majority and furnishing an Opinion of Counsel. See "The Partnership Agreement--Withdrawal or Removal of the General Partner" and "--Meetings; Voting."

Consequences of Removal of General Partner in Certain Circumstances............. If the General Partner is removed other than for Cause, (i) the Subordination Period will end and all outstanding Subordinated Units will immediately convert into Common Units on a one-for-one basis, (ii) any existing Common Unit Arrearages will be extinguished and (iii) the General Partner will have the right to convert its general partner interest (and its right to receive Incentive Distributions) into Common Units or to receive cash in exchange for such interests. See "The Partnership Agreement--Change of Management Provisions."

Liquidation Preference to Common Unitholders......... If the Company liquidates during the Subordination Period, under certain circumstances, holders of outstanding Common Units will be entitled to receive more per Unit in liquidating distributions than holders of outstanding Subordinated Units. The per Unit difference will be dependent upon the amount of gain or loss recognized by the Company in liquidating its assets and will be limited to the Unrecovered Capital of a Common Unit and any Common Unit Arrearages thereon. Under certain circumstances there may be insufficient gain for the holders of Common Units to fully recover all such amounts, even though there may be cash available for distribution to holders of Subordinated Units. Following conversion of the Subordinated Units into Common Units, all Units will be treated the same upon liquidation of the Company. See "Cash Distribution Policy--Distributions of Cash Upon Liquidation."

Use of Proceeds............ The net proceeds to the Company from the sale of Common Units offered hereby are estimated to be approximately $371.8 million, assuming an initial public offering price of $ per share, after deducting underwriting discounts and commissions and other expenses of this offering. The Company will contribute such net proceeds to the Operating Partnership, and the Operating Partnership will use (i) approximately $282.3 million of such proceeds to repay the indebtedness assumed by the Operating Partnership in connection with the Transactions; (ii) approximately $33.6 million to purchase participation interests in the indebtedness of two of the Company's joint ventures; (iii) approximately $46.5 million to fund the Company's share of new joint venture projects; and (iv) the remainder for general partnership purposes, including the repayment of accrued interest on the debt to be repaid. See "Use of Proceeds."

Listing.................... Application has been made to list the Common Units on the NYSE.

Proposed NYSE Symbol........ "   ."

SUMMARY OF TAX CONSIDERATIONS

The tax consequences of an investment in the Company to a particular investor will depend in part on the investor's own tax circumstances. Each prospective investor should consult his own tax advisor about the United States federal, state and local tax consequences of an investment in Common Units.

The following is a brief summary of certain expected tax consequences of owning and disposing of Common Units. The following discussion, insofar as it relates to United States federal income tax laws, is based upon the opinion of Vinson & Elkins L.L.P., special counsel to the General Partner and the Company ("Counsel"), described in "Tax Considerations." This summary is qualified by the discussion in "Tax Considerations," particularly the qualifications on the opinions of Counsel described therein.

PARTNERSHIP STATUS; CASH DISTRIBUTIONS

In the opinion of Counsel, the Company will be classified for federal income tax purposes as a partnership, and the beneficial owners of Common Units will generally be considered partners in the Company. Accordingly, the Company will pay no federal income taxes, and a Common Unitholder will be required to report on his federal income tax return his share of the Company's income, gains, losses, deductions and credits. In general, cash distributions to a Common Unitholder will be taxable only if, and to the extent that, they exceed the Common Unitholder's tax basis in his Common Units.

COMPANY ALLOCATIONS

In general, income and loss of the Company will be allocated to the General Partner and the Unitholders for each taxable year in accordance with their respective percentage interests in the Company, as determined annually and prorated on a monthly basis and subsequently apportioned among the General Partner and the Unitholders of record as of the opening of the first business day of the month to which they relate, even though Unitholders may dispose of their Units during the month in question. At any time that distributions are made on the Common Units and not on the Subordinated Units, or that Incentive Distributions are made to the General Partner, gross income will be allocated to the recipients to the extent of such distribution. A Unitholder will be required to take into account, in determining his federal income tax liability, his share of income generated by the Company for each taxable year of the Company ending within or with the Unitholder's taxable year even if cash distributions are not made to him. As a consequence, a Unitholder's share of taxable income of the Company (and possibly the income tax payable by him with respect to such income) may exceed the cash, if any, actually distributed to him.

RATIO OF TAXABLE INCOME TO DISTRIBUTIONS

The Company estimates that a purchaser of Common Units in this offering who owns them through December 31, 2001, will be allocated, on a cumulative basis, an amount of federal taxable income for such period that will be less than % of the cash distributed with respect to that period. The Company further estimates that for taxable years after the taxable year ending December 31, 2001, the taxable income allocable to them will represent a significantly higher percentage (and could in certain circumstances exceed the amount) of cash distributed to the Unitholders. These estimates are based upon the assumption that the gross income from operations will approximate the amount required to make the Minimum Quarterly Distribution with respect to all Units and other assumptions with respect to capital expenditures, cash flow and anticipated cash distributions. These estimates and assumptions are subject to, among other things, numerous business, economic, regulatory, competitive and political uncertainties which are beyond the control of the Company. Further, the estimates are based on current tax law and certain tax reporting positions that the Company intends to adopt and with which the IRS could disagree. Accordingly, no assurance can be given that the estimates will prove to be correct. The

actual percentages could be higher or lower than as described above and any differences could be material. See "Tax Considerations--Tax Consequences of Unit Ownership--Ratio of Taxable Income to Distributions."

BASIS OF COMMON UNITS

A Unitholder's initial tax basis for a Common Unit purchased in this offering generally will be the amount paid for the Common Unit. A Unitholder's basis generally will be increased by his share of Company income and any increase in his share of Company non-recourse liabilities and decreased by his share of Company losses and distributions and any decrease in his share of Company non-recourse liabilities.

LIMITATIONS ON DEDUCTIBILITY OF COMPANY LOSSES

A Unitholder may deduct his share of Company losses only to the extent that such losses do not exceed his tax basis in his Common Units or, in the case of taxpayers subject to the "at risk" rules (such as individuals), the amount the Unitholder is at risk with respect to the Company's activities, if less than such tax basis. In the case of taxpayers subject to the passive loss rules (generally, individuals and closely held corporations), any Company losses will only be available to offset future income generated by the Company and cannot be used to offset income from other activities, including passive activities or investments. Any losses unused by virtue of the passive loss rules may be fully deducted when the Unitholder disposes of all of his Common Units in a taxable transaction with an unrelated party.

SECTION 754 ELECTION

The Company intends to make the election provided for by Section 754 of the Internal Revenue Code of 1986, as amended (the "Code"), which will generally result in a Unitholder being allocated income and deductions calculated by reference to the portion of his purchase price attributable to each asset of the Company.

DISPOSITION OF COMMON UNITS

A Unitholder who sells Common Units will recognize a gain or loss equal to the difference between the amount realized and the adjusted tax basis of those Common Units. Thus, distributions of cash from the Company to a Unitholder in excess of the income allocated to him will, in effect, become taxable income if he sells the Common Units at a price greater than his adjusted tax basis even if the price is less than his original cost. A portion of the amount realized (whether or not representing gain) may be taxable as ordinary income.

CHANGES IN FEDERAL INCOME TAX LAWS

Legislation enacted as part of the Taxpayer Relief Act of 1997 (the "TRA of 1997") alters the tax reporting system and the deficiency collection system applicable to large partnerships that elect to have such provisions apply and makes certain additional changes to the treatment of large partnerships. The legislation contained in the TRA of 1997 generally is intended to simplify the administration of the tax rules governing large partnerships. It is not expected that the Company will elect to have these provisions apply because of the cost of their application.

The TRA of 1997 also affects the taxation of certain financial products and securities, including partnership interests, by treating a taxpayer as having sold an "appreciated" partnership interest (one in which gain would be recognized if it were sold, assigned or otherwise terminated at its fair market value) if the taxpayer or related persons enter into a short sale of an offsetting notional principal contract with respect to or a futures or forward contract to deliver the same or substantially identical property, or in the case of an appreciated financial position that is a short sale or offsetting notional principal or futures or forward contract, the taxpayer or related persons acquire the same or substantially identical property. The Secretary of Treasury is also authorized to issue

regulations that treat a taxpayer that enters into transactions or positions that have substantially the same effect as the preceding transactions as having constructively sold the financial product or security.

STATE, LOCAL AND OTHER TAX CONSIDERATIONS

In addition to federal income taxes, Unitholders will likely be subject to other taxes, such as state and local income taxes, unincorporated business taxes, and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which a Unitholder resides or in which the Company does business or owns property. Although an analysis of those various taxes is not presented here, each prospective Unitholder should consider the potential impact of such taxes on his investment in the Company. The Company initially will own property and conduct business in Alabama, Louisiana, Mississippi and Texas. In certain states, tax losses may not produce a tax benefit in the year incurred (if, for example, the Company has no income from sources within that state) and also may not be available to offset income in subsequent taxable years. Some states may require the Company, or the Company may elect, to withhold a percentage of income from amounts to be distributed to a Unitholder. Withholding, the amount of which may be more or less than a particular Unitholder's income tax liability owed to the state, may not relieve the nonresident Unitholder from the obligation to file an income tax return. Amounts withheld may be treated as if distributed to Unitholders for purposes of determining the amounts distributed by the Company. Based on current law and its estimate of future Company operations, the Company anticipates that any amounts required to be withheld will not be material.

It is the responsibility of each prospective Unitholder to investigate the legal and tax consequences, under the laws of pertinent states and localities, of his investment in the Company. Accordingly, each prospective Unitholder should consult, and must rely upon, his own tax counsel or other advisor with regard to those matters. Further, it is the responsibility of each Unitholder to file all federal, state and local tax returns that may be required of such Unitholder. Counsel has not rendered an opinion on the state or local tax consequences of an investment in the Company.

OWNERSHIP OF COMMON UNITS BY TAX-EXEMPT ORGANIZATIONS AND CERTAIN OTHER INVESTORS

An investment in Common Units by tax-exempt organizations (including IRAs and other retirement plans), regulated investment companies (mutual funds) and foreign persons raises issues unique to such persons. Much of the income allocated to a Unitholder that is a tax-exempt organization will be unrelated business taxable income and, thus, will be taxable to such Unitholder; no significant amount of the Company's gross income will be qualifying income for purposes of determining whether a Unitholder will qualify as a regulated investment company; and a Unitholder who is a nonresident alien, foreign corporation or other foreign person will be regarded as being engaged in a trade or business in the United States as a result of ownership of a Common Unit and, thus, will be required to file federal income tax returns and to pay tax on such Unitholder's share of Company taxable income. Furthermore, distributions to foreign Unitholders will be subject to federal income tax withholding. See "Tax Considerations--Uniformity of Units" and "--Tax-Exempt Organizations and Certain Other Investors."

TAX SHELTER REGISTRATION

The Code generally requires that "tax shelters" be registered with the Secretary of the Treasury. It is arguable that the Company is not subject to this registration requirement. Nevertheless, the General Partner has applied for registration of the Company as a tax shelter with the Secretary of the Treasury. ISSUANCE OF THE REGISTRATION NUMBER DOES NOT INDICATE THAT AN INVESTMENT IN THE COMPANY OR THE CLAIMED TAX BENEFITS HAVE BEEN REVIEWED, EXAMINED OR APPROVED BY THE IRS. See "Tax Considerations--Administrative Matters--Registration as a Tax Shelter."

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements and information that are based on the beliefs of the Company and the General Partner, as well as assumptions made by, and information currently available to, the Company and the General Partner. All statements, other than statements of historical fact, included in this Prospectus are forward-looking statements, including, but not limited to, statements identified by the words "anticipate," "believe," "estimate," "expect," "plan," "intend," "forecast," "will," "could," "may" and "targeted" and similar expressions and statements regarding the Company's business strategy and plans and objectives of management of the Company for future operations. Such statements reflect the current views of the Company and the General Partner with respect to future events, based on what they believe are reasonable assumptions; however, such statements are subject to certain risks, uncertainties and assumptions including but not limited to the risk factors described in this Prospectus. If one or more these risks or uncertainties materialize, or if underlying assumptions prove incorrect, actual results may vary materially from those in the forward-looking statements. The Company does not intend to update these forward-looking statements and information.

RISK FACTORS

Limited partner interests are inherently different from capital stock of a corporation, although many of the business risks to which the Company will be subject are similar to those that would be faced by a corporation engaged in a similar business. Prospective purchasers of the Common Units should consider the following risk factors in evaluating an investment in the Common Units.

RISKS INHERENT IN AN INVESTMENT IN THE COMPANY

Cash Distributions Are Not Guaranteed and May Fluctuate with Company Performance

Although the Company will distribute all of its Available Cash, there can be no assurance regarding the amounts of Available Cash to be generated by the Company and the Company cannot guarantee that the Minimum Quarterly Distribution will be paid. The actual amounts of cash distributions may fluctuate and will depend upon numerous factors, including cash flow generated by operations, required principal and interest payments on the Company's debt, if any, the costs of acquisitions (including related debt service payments), restrictions contained in the Company's debt instruments, issuances of debt and equity securities by the Company, fluctuations in working capital, capital expenditures, adjustments in reserves, prevailing economic conditions and financial, business and other factors, a number of which will be beyond the control of the Company and the General Partner. Cash distributions are dependent primarily on cash flow, including cash flow from reserves and working capital borrowings, and not solely on profitability, which is affected by non-cash items. Therefore, cash distributions might be made during periods when the Company records losses and might not be made during periods when the Company records profits.

The amount of Available Cash from Operating Surplus needed to distribute the Minimum Quarterly Distribution for four quarters on the Common Units and Subordinated Units to be outstanding immediately after this offering and on the combined 2% interest of the General Partner is approximately $135.6 million ($90.4 million for Common Units, $42.5 million for the Subordinated Units and $2.7 million for the combined 2% interest of the General Partner). If the Underwriters' over-allotment option is exercised in full, such amounts will be $95.0 million for the Common Units, $42.5 million for the Subordinated Units and $2.7 million for the combined 2% interest of the General Partner, or an aggregate of approximately $140.3 million. The amount of pro forma Available Cash from Operating Surplus generated during 1997 was approximately $128.2 million. Such amount would have been sufficient to cover the Minimum Quarterly Distribution for 1997 on all of the Common Units, but would have been insufficient by approximately $7.4 million to cover the Minimum Quarterly Distribution on all the Subordinated Units and the related distribution on the general partner interests. See "Cash Available for Distribution" and, for the calculation of pro forma Available Cash from Operating Surplus, Appendix D.

The Partnership Agreement gives the General Partner broad discretion in establishing reserves for the proper conduct of the Company's business that will affect the amount of Available Cash. Because certain portions of the business of the Company are seasonal, the General Partner may make additions to reserves during certain quarters in order to fund operating expenses, interest and principal payments and cash distributions to partners with respect to other quarters. The effect of the establishment of such operating reserves is to increase the likelihood that the Minimum Quarterly Distribution will be paid in any given quarter but to decrease the likelihood that any amount in excess of the Minimum Quarterly Distribution will be paid in such quarter. As a result of these and other factors, there can be no assurance regarding the actual levels of cash distributions to Unitholders by the Company.

The Company's Assumptions Concerning Future Operations May Not Be Realized

In establishing the terms of this offering, including the number and initial public offering price of the Common Units, the number of Common Units and Subordinated Units to be received by EPCO and the Minimum Quarterly Distribution, the Company has relied on certain assumptions concerning its operations, including assumptions that (i) total operating margins generated from the Company's existing assets will remain generally consistent with total margins recognized by the Company in 1997; (ii) the Company's identified new projects will become operational as scheduled and will result in anticipated levels of operating margins; (iii) the Company will not experience any significant accidents or business interruptions, regardless of whether such accidents or interruptions are covered by insurance; (iv) there will be no regulatory changes that materially adversely affect the Company's operations; and (v) market and overall economic conditions will not change substantially. Whether the assumptions are realized is not, in many cases, within the control of the Company and cannot be predicted with any degree of certainty. In the event that the Company's assumptions are not realized, the actual Available Cash from Operating Surplus generated by the Company could be substantially less than that currently expected and may be less in any quarter than the Minimum Quarterly Distribution. See "Cash Available for Distribution."

Unitholders Will Have Limited Voting Rights and Limited Influence on Company Management

The General Partner will manage and operate the Company. Unlike the holders of common stock in a corporation, holders of Common Units will have only limited voting rights on matters affecting the Company's business. Holders of Common Units will have no right to elect the General Partner on an annual or other continuing basis, and the General Partner may not be removed except pursuant to the vote of the holders of at least 66 2/3% of the outstanding Units (including Units owned by the General Partner and its affiliates) and upon the election of a successor general partner by the vote of the holders of at least a Unit Majority. The ownership of an aggregate of 76.7% of the combined Common Units and Subordinated Units by a wholly-owned subsidiary of EPCO, the parent of the General Partner, gives EPCO the ability to prevent the General Partner's removal. In addition, all of the other matters requiring the approval of the Common Unitholders during the Subordination Period must first be proposed by the General Partner and submitted to the Unitholders for a vote. The Partnership Agreement also contains provisions limiting the ability of Unitholders to call meetings of Unitholders or to acquire information about the Company's operations as well as other provisions limiting the Unitholders' ability to influence the manner or direction of management. As a result, holders of Common Units will have limited influence on matters affecting the operations of the Company. See "The Partnership Agreement--Meetings; Voting."

The Company May Issue Additional Common Units thereby Diluting Existing Unitholders' Interests

During the Subordination Period, the General Partner has broad discretion, without the approval of Unitholders, to cause the Company to issue up to an additional 25,000,000 Common Units (which number is subject to adjustment in the event of a combination or subdivision of Common Units and excludes Common Units issued upon the exercise of the Underwriters' over-allotment option, upon conversion of Subordinated Units, pursuant to employee benefit plans, upon conversion of the general partner interests and Incentive Distribution Rights as a result of the withdrawal of the General Partner or in connection with the making of certain acquisitions or capital improvements that are accretive on a per Unit basis) or an equivalent number of securities ranking on a parity with the Common Units. The issuance during the Subordination Period of Common

Units or parity units in excess of the foregoing would require the approval of a Unit Majority. After the end of the Subordination Period, the Company may issue an unlimited number of limited partner interests of any type (including interests ranking prior or senior to the Common Units) without the approval of Unitholders. Based on the circumstances of each case, the issuance of additional Common Units or securities ranking senior to or on a parity with the Common Units may dilute the value of the interests of the then-existing holders of Common Units in the net assets of the Company, dilute the interests of holders of Common Units in cash distributions by the Company and reduce the benefits to the holders of the Common Units provided by the subordination feature of the Subordinated Units. The Partnership Agreement does not give the holders of Common Units the right to approve the issuance by the Company of equity securities ranking junior to the Common Units at any time.

Issuance of Additional Common Units, Including Upon Conversion of Subordinated Units, Will Increase Risk that the Company Will Be Unable to Pay Full Minimum Quarterly Distribution on All Common Units

The capability of the Company to pay the full Minimum Quarterly Distribution on all Common Units may be reduced as a result of any increase in the number of outstanding Common Units, whether as a result of conversion of Subordinated Units, exercise of the Underwriters' over-allotment option or future issuances of Common Units. Any of these actions will increase the percentage of the aggregate Minimum Quarterly Distribution payable to the Common Unitholders and decrease the percentage of the aggregate Minimum Quarterly Distribution payable to the Subordinated Unitholders, which will in turn have the effect of (i) reducing the amount of support provided by the subordination feature of the Subordinated Units and (ii) increasing the risk that the Company will be unable to pay the Minimum Quarterly Distribution in full on all the Common Units.

Unitholders Will Have Difficulty in Removing the General Partner or Otherwise Changing Management

Following this offering, the ownership of approximately 76.7% of the combined Common Units and Subordinated Units by a wholly-owned subsidiary of EPCO, the parent of the General Partner, gives EPCO the ability to prevent the removal of the General Partner. In addition, the Partnership Agreement contains certain provisions that may have the effect of discouraging a person or group from attempting to remove the General Partner or otherwise change the management of the Company. If the General Partner is removed as general partner of the Company under circumstances where Cause does not exist and Units held by the General Partner and its affiliates are not voted in favor of such removal, (i) the Subordination Period will end and all outstanding Subordinated Units will immediately convert into Common Units on a one-for-one basis, (ii) any existing Common Unit Arrearages will be extinguished and (iii) the General Partner will have the right to convert its general partner interest (and its right to receive Incentive Distributions) into Common Units or to receive cash in exchange for such interests. Further, if any person or group (other than the General Partner or its affiliates) acquires beneficial ownership of 20% or more of any class of Units then outstanding, such person or group will lose voting rights with respect to all of its Units. In addition, the Company has substantial latitude in issuing equity securities without Unitholder approval. The effect of these and other provisions may be to diminish the price at which the Common Units will trade under certain circumstances. See "The Partnership Agreement--Withdrawal or Removal of the General Partner" and "--Change of Management Provisions."

Purchasers of Common Units Will Experience Dilution

Purchasers of Common Units in this offering will experience substantial and immediate dilution in net tangible book value of $ per Common Unit from the initial public offering price (assuming an initial public offering price of $ per Common Unit). See "Dilution."

Cost Reimbursements and Fees Due to the General Partner and its Affiliates May Be Substantial

Prior to making any cash distributions on the Common Units, the Company will reimburse the General Partner and its affiliates for certain expenses incurred by the General Partner and its affiliates on behalf of the Company. Such reimbursable expenses will include expenses incurred by EPCO under the EPCO Agreement, pursuant to which EPCO will manage the business and affairs of the Company. Pursuant to the EPCO Agreement, EPCO will be reimbursed at cost for all expenses that it incurs in connection with managing the business and affairs of the Company, except that EPCO will not be entitled to be reimbursed for any selling, general and administrative expenses. In lieu of reimbursement for such selling, general and administrative expenses, EPCO will be entitled

to receive an administrative services fee that will initially equal $12.0 million.

The General Partner, with approval and consent of the Audit and Conflicts Committee, will have the right to agree to increases in such administrative services fee of up to 10% each year during the 10-year term of the EPCO Agreement and may agree to further increases in such fee in connection with expansions of the Company's operations through the construction of new facilities or the completion of acquisitions that require additional management personnel. The reimbursement by the Company of such expenses and the payment of such fee could adversely affect the ability of the Company to make cash distributions to the Unitholders.

No Prior Public Market for Common Units

Prior to this offering, there has been no public market for the Common Units. The initial public offering price for the Common Units will be determined through negotiations between the General Partner and the representatives of the Underwriters. For a description of the factors to be considered in determining the initial public offering price, see "Underwriting." No assurance can be given as to the market prices at which the Common Units will trade. Application has been made to list the Common Units on the NYSE under the symbol "   ."

The General Partner Will Have a Limited Call Right with Respect to the Common Units

If at any time less than 20% of the then-issued and outstanding Common Units are held by persons other than the General Partner and its affiliates, the General Partner will have the right, which it may assign to any of its affiliates or the Company, to acquire all, but not less than all, of the remaining Common Units held by such unaffiliated persons at a price generally equal to the then-current market price of Common Units. As a consequence, a holder of Common Units may be required to sell his Common Units at a time when he may not desire to sell them or at a price that is less than the price he would desire to receive upon such sale. A holder may also incur a tax liability upon such sale. See "The Partnership Agreement--Limited Call Right."

Unitholders May Not Have Limited Liability in Certain Circumstances; Liability for Return of Certain Distributions

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 states. If it were determined that the Company had been conducting business in any state without compliance with the applicable limited partnership statute, or that the right or the exercise of the right by the Unitholders as a group to remove or replace the General Partner, to approve certain amendments to the Partnership Agreement or to take other action pursuant to the Partnership Agreement constituted participation in the "control" of the Company's business, then the Unitholders could be held liable in certain circumstances for the Company's obligations to the same extent as a general partner. In addition, under certain circumstances a Unitholder may be liable to the Company for the amount of a distribution for a period of three years from the date of the distribution. See "The Partnership Agreement--Limited Liability" for a discussion of the limitations on liability and the implications thereof to a Unitholder.

Holders of Common Units Have Not Been Represented by Counsel

The holders of Common Units have not been represented by counsel in connection with this offering, including the preparation of the Partnership Agreement or the other agreements referred to herein or in establishing the terms of this offering.

RISKS INHERENT IN THE COMPANY'S BUSINESS

The Profitability of the Company's Operations Will Depend Upon the Demand for the Company's Products

Products processed by the Company are principally used as feedstocks in petrochemical manufacturing and in the production of motor gasoline and, to a lesser extent, as fuel for residential and commercial heating. A reduction in demand for the Company's products by the petrochemical, refining or heating industries, whether because of 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, regulations affecting the content of motor gasoline or other reasons, could have a material adverse effect on the Company's results of operations.

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), 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. The Company has experienced periods in the past where the suppliers of NGLs have retained the ethane in the natural gas stream and may experience such periods in the future. Although the Company's results of operations have not been materially adversely affected in the past on such occasions, there can be no assurance that a similar decision by gas plant operators in the future would not have a material adverse effect on the Company's results of operations.

Propane. Propane is used both as a petrochemical feedstock in the production of ethylene and propylene and as a heating, an engine and an industrial fuel. The demand for propane as a heating fuel is significantly affected by weather conditions. The volume of propane sold is at its highest during the six-month peak heating season of October through March. Demand for the Company's propane may be reduced during periods of warmer-than-normal weather.

Isobutane. Isobutane is predominantly used by refineries in producing alkylates to enhance octane levels or in the production of MTBE, which is used in motor gasoline. Accordingly, any action that reduces demand for motor gasoline in general or MTBE in particular would similarly reduce demand for isobutane. Furthermore, the Company purchases almost all of the normal butane feedstock that it isomerizes into isobutane for its non-tolling customers in the spot and import markets. It is generally profitable for the Company to isomerize normal butane into isobutane when the prevailing price of isobutane exceeds the prevailing price of normal butane by approximately 2.0 cents per gallon. On those occasions where the spread between isobutane and normal butane is narrow, the Company may find it more economical to purchase isobutane on the spot market for delivery to customers than to process the normal butane in its inventory. The Company frequently retains the normal butane in its inventory until the isobutane spread widens sufficiently. Furthermore, if the price of normal butane declines, the Company's inventory may decline in value. During periods in which isobutane spreads are narrow or inventory values are high relative to current prices for normal butane or isobutane, the Company's operating margin from selling isobutane may be reduced.

MTBE. The production of MTBE is driven by oxygenated fuels programs enacted under the federal Clean Air Act Amendments of 1990 and other legislation. Any changes to these programs that enable localities to opt out of these programs, lessen the requirements for oxygenates or favor the use of non-isobutane based oxygenated fuels would reduce the demand for the Company's MTBE and could have a material adverse effect on the Company's results of operations. Legislation has been introduced in the California legislature to ban the use of MTBE based on allegations that MTBE contaminates water supplies, causes health problems and has not been as beneficial in reducing air pollution as originally contemplated. In addition, legislation to amend the federal Clean Air Act of 1990 has been introduced in Congress to exempt California from the federal oxygenate requirement for reformulated motor gasoline. If this legislation is enacted, refineries could eliminate or reduce the amount of MTBE from motor gasoline sold in California so long as certain other minimum standards are met. No assurance can be given as to whether any such federal legislation will ultimately be adopted or whether Congress would override any California legislation.

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 produced by the Company and expose the Company's investment in inventories of propane/propylene mix to pricing risk due to requirements for short-term price discounts in the spot or short-term propylene markets.

The Profitability of the Company's Operations will Depend Upon the Availability of a Supply of NGL Feedstock

The Company's profitability is substantially dependent upon the volume of NGLs processed at the Company's facilities. A material decrease in natural gas production or crude oil refining, as a result of depressed

commodity prices or otherwise, or a decrease in imports of mixed butanes, could result in a decline in the volume of NGLs delivered to the Company's facilities for processing, thereby reducing revenue and operating income. The Company believes that even in a depressed natural gas price environment, provided demand for NGL products remained strong, producers would, to a certain extent, continue to produce the natural gas, separate the methane, reinject the methane into the formation and have the NGLs processed into NGL products; however, there can be no assurance that depressed natural gas prices would not result in producers shutting in natural gas wells, in which case NGL production would decline significantly.

Dependence on Certain Key Customers and Contracts

The Company currently derives a significant portion of its revenues from contracts with certain key customers. Although some of these customers have ownership interests in the facilities whose services they use, the loss of these or other significant customers could materially adversely affect the Company's results of operations. ARCO, which accounted for 42.9% of the Company's isomerization volumes in 1997, has notified the Company that it intends to renegotiate its contract with the Company that expires in November 1999. There can be no assurance that the Company and ARCO will reach agreement on the terms of a new contract or what the terms of such a contract may be. The Company's unconsolidated affiliate, BEF, has an agreement with Sun pursuant to which Sun is required to purchase all of BEF's MTBE production through May 2005. The price currently paid by Sun is the higher of a contractually fixed floor price or a market price for the first 193.5 million gallons of production per contract year and spot prices on the remaining production per contract year until May 31, 2000. The market price is currently significantly lower than the floor price. Beginning June 1, 2000 and continuing through the termination of the agreement in May 2005, the price for all production will be a market-based negotiated price. If the floor price remains higher than the market price, this provision could significantly reduce the amount the Company receives from BEF, which could have a material adverse effect on the Company's results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--General," "Business and Properties--MTBE Production--The Company's MTBE Customers and Contracts" and Note 3 of Notes to Combined Financial Statements.

The Company Experiences Significant Competition

The Company's competitors include major oil, natural gas and petrochemical companies who may have greater financial resources than the Company. The Company's NGL fractionation facilities at Mont Belvieu compete for volumes of mixed NGLs with three other fractionators at Mont Belvieu. In addition, certain major producers fractionate NGLs for their own account in captive facilities. Other major producers may develop their own facilities in lieu of using the Company's services. The Mont Belvieu fractionation facilities also compete on a more limited basis with two fractionators in Conway, Kansas and a number of decentralized, smaller fractionation facilities in Louisiana. In recent years, the Conway market has occasionally experienced higher posted prices for NGL products than prices at Mont Belvieu causing customers to shift certain volumes to the Conway market for fractionation. The primary competitive factors affecting the NGL fractionation business include the level of fractionation fees charged, long-term processing contracts, the relative amount of available capacity among the fractionators and the availability of storage and transportation. The Company also competes with large, integrated energy and petrochemical companies in its isomerization, MTBE and propylene businesses. See "Business and Properties--Competition."

The Company's New Construction Projects May Not be Completed

The Company has entered into non-binding letters of intent to participate in the construction of and operate an NGL fractionation facility near Baton Rouge, Louisiana, participate in the construction of the Tri-States and Wilprise NGL pipeline systems and participate in a joint venture to construct and operate a chiller at its NGL import/export facility. There can be no assurances that definitive agreements for these projects will ultimately be signed, what the terms of these agreements will be or that the projects will ultimately be consummated. Moreover, completion dates and construction costs of projects are subject to certain factors beyond the

Company's control, such as inclement weather conditions, labor disputes, permitting and approval requirements and shortages of materials. There can be no assurance that these new projects, if completed, will be completed on time or within budget.

The Company is Subject to Operating and Litigation Risks Which May Not Be Covered by Insurance

The Company's operations are subject to all operating hazards and risks normally incidental to processing, storing and transporting, and otherwise providing for use by third parties, NGLs, propane/propylene mix and MTBE. As a result, the Company may be a defendant in various legal proceedings and litigation arising in the ordinary course of business. The Company maintains insurance policies with insurers in such amounts and with such coverages and deductibles as the General Partner believes are reasonable and prudent. There can be no assurance, however, that such insurance will be adequate to protect the Company from all material expenses related to potential future claims for personal and property damage and that such levels of insurance will be available in the future on commercially reasonable terms.

The Company's Businesses are Subject to Governmental Regulation With Respect to Environmental, Safety and Other Regulatory Matters

The business of the Company is subject to the jurisdiction of governmental agencies with respect to a wide range of environmental, safety and other regulatory matters. Although the Company believes that it is in compliance in all material respects with all applicable environmental laws and regulations, the Company could be adversely affected by increased costs due to more strict pollution control requirements or liabilities resulting from non-compliance with required operating or other regulatory permits. New environmental regulations might adversely impact the Company's products and activities, including processing, storage and transportation. Federal and state agencies also could impose additional safety requirements, any of which could affect profitability. In addition, there are risks of accidental releases or spills associated with the Company's operations, and there can be no assurance that significant costs and liabilities will not be incurred, including those relating to claims for damages to property and persons.

The Company Will Be Dependent Upon Key Personnel

The Company believes that its success has been dependent to a significant extent upon the efforts and abilities of EPCO's senior management team and in particular Dan Duncan, Chairman of the Board (age 65) and O.S. Andras, President and Chief Executive Officer (age 62). The failure by EPCO to retain the key members of its senior management team, or to implement a succession plan to prepare qualified individuals to join the senior management team upon the retirement of Mr. Duncan and Mr. Andras, could adversely affect the financial condition or results of operations of the Company.

CONFLICTS OF INTEREST AND FIDUCIARY RESPONSIBILITIES

The General Partner will make all decisions relating to the management of the Company. EPCO owns all of the issued and outstanding equity interests of the General Partner and upon the closing of this offering, a wholly-owned subsidiary of EPCO will own Common Units and Subordinated Units representing a combined 75.1% limited partner interest in the Company. Certain conflicts of interest exist and may arise in the future as a result of the relationships between the General Partner, EPCO and their affiliates, on the one hand, and the Company and its limited partners, on the other hand. The directors and officers of the General Partner have fiduciary duties to manage the General Partner, including its investments in its subsidiaries and affiliates, in a manner beneficial to its sole member, EPCO. At the same time, the General Partner has a fiduciary duty to manage the Company in a manner beneficial to the Company and the Unitholders. The Partnership Agreement contains provisions that allow the General Partner to take into account the interests of parties in addition to the Company in resolving conflicts of interest, thereby limiting its fiduciary duty to the Unitholders, as well as provisions that may restrict the remedies available to Unitholders for actions taken that might, without such limitations, constitute breaches of fiduciary duty. The duty of the directors and officers of the General Partner to its sole member may, therefore,

come into conflict with the duties of the General Partner to the Company and the Unitholders. Conflicts of interest might arise with respect to the following matters, among others:

(i) Decisions of the General Partner with respect to the amount and timing of cash expenditures, borrowings, asset sales or acquisitions, issuances of additional partnership securities and the creation, reduction or increase of reserves in any quarter will affect whether, or the extent to which, there is sufficient Available Cash from Operating Surplus to meet the Minimum Quarterly Distribution and Target Distribution Levels on all Units in a given quarter. In addition, actions by the General Partner may have the effect of enabling the General Partner and its affiliates to receive distributions on the Subordinated Units or Incentive Distributions or hastening the expiration of the Subordination Period or the conversion of Subordinated Units into Common Units.

(ii) The Company will not have any employees and will rely solely on employees of EPCO.

(iii) Under the terms of the Partnership Agreement, the Company will reimburse the General Partner and its affiliates for costs incurred in managing and operating the Company, including certain costs incurred pursuant to the EPCO Agreement.

(iv) Whenever possible, the General Partner intends to limit the Company's liability under contractual arrangements to all or particular assets of the Company, with the other party thereto to have no recourse against the General Partner or its assets.

(v) Any agreements between the Company, on the one hand, and the General Partner and its affiliates, on the other, will not grant to the holders of Common Units, separate and apart from the Company, the right to enforce the obligations of the General Partner and such affiliates in favor of the Company. Therefore, the General Partner, in its capacity as the general partner of the Company, will be primarily responsible for enforcing such obligations.

(vi) Under the terms of the Partnership Agreement, the General Partner is not restricted from causing the Company to pay the General Partner or its affiliates for any services rendered on terms that are fair and reasonable to the Company or entering into additional contractual arrangements with any of such entities on behalf of the Company, although there will be certain limits on the fees that can be paid to EPCO pursuant to the EPCO Agreement. Neither the Partnership Agreement nor any of the other agreements, contracts and arrangements between the Company, on the one hand, and the General Partner and its affiliates, on the other, are or will be the result of arm's-length negotiations.

(vii) The General Partner may exercise its right to call for and purchase Common Units as provided in the Partnership Agreement or assign such right to one of its affiliates or to the Company.

(viii) The Common Unitholders have not been represented by counsel in connection with this offering, and the attorneys, independent public accountants and others who have performed services for the Company in connection with this offering have been retained by the General Partner, its affiliates and the Company (and may continue to be so retained following this offering).

(ix) The Partnership Agreement provides that the General Partner will generally be restricted from engaging in any business activities other than those incidental to its ownership of interests in the Company. On the other hand, except for the restrictions set forth in the EPCO Agreement, EPCO and its affiliates (other than the General Partner) will be free to engage in any type of business or activity whatsoever, including those that may be in direct competition with the Company. Pursuant to the EPCO Agreement, for so long as the General Partner is an affiliate of EPCO, EPCO and its affiliates will be prohibited from engaging in any business or activity within North America that is of the type currently conducted by EPCO and its affiliates (other than businesses or activities of the type associated with the Retained Assets), unless EPCO or such affiliate has first presented the opportunity to engage in such business or activity to the Company, the General Partner has elected not to have the Company pursue such opportunity and the Audit and Conflicts Committee has approved such decision.

Unless provided for otherwise in a partnership agreement, Delaware law generally requires a general partner of a Delaware limited partnership to adhere to fiduciary duty standards under which it owes its limited partners the highest duties of good faith, fairness and loyalty and which generally prohibit such general partner from taking any action or engaging in any transaction as to which it has a conflict of interest. The Partnership Agreement expressly permits the General Partner to resolve conflicts of interest between itself or its affiliates, on the one hand, and the Company or the Unitholders, on the other, and to consider, in resolving such conflicts of interest, the interests of other parties in addition to the interests of the Unitholders. In addition, the Partnership Agreement provides that a purchaser of Common Units is deemed to have consented to certain conflicts of interest and actions of the General Partner and its affiliates that might otherwise be prohibited, including those described in clauses (i)-(ix) above, and to have agreed that such conflicts of interest and actions do not constitute a breach by the General Partner of any duty stated or implied by law or equity. The General Partner will not be in breach of its obligations under the Partnership Agreement or its duties to the Company or the Unitholders if the resolution of such conflict is fair and reasonable to the Company. The latitude given in the Partnership Agreement to the General Partner in resolving conflicts of interest may significantly limit the ability of a Unitholder to challenge what might otherwise be a breach of fiduciary duty.

The Partnership Agreement expressly limits the liability of the General Partner by providing that the General Partner, its affiliates and its officers and directors will not be liable for monetary damages to the Company, the limited partners or assignees for errors of judgment or for any acts or omissions if the General Partner and such other persons acted in good faith. In addition, the Company is required to indemnify the General Partner, its affiliates and their respective officers, directors, employees, agents and trustees to the fullest extent permitted by law against liabilities, costs and expenses incurred by the General Partner or such other persons, if the General Partner or such persons acted in good faith and in a manner they 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 Company and, with respect to any criminal proceedings, had no reasonable cause to believe the conduct was unlawful.

The provisions of Delaware law that allow the common law fiduciary duties of a general partner to be modified by a partnership agreement have not been tested in a court of law, and the General Partner has not obtained an opinion of counsel covering the provisions set forth in the Partnership Agreement that purport to waive or restrict the fiduciary duties of the General Partner that would be in effect under common law were it not for the Partnership Agreement. See "Conflicts of Interest and Fiduciary Responsibilities--Conflicts of Interest."

TAX RISKS

For a general discussion of the expected federal income tax consequences of owning and disposing of Common Units, see "Tax Considerations."

Tax Treatment is Dependent on Partnership Status

The availability to a Common Unitholder of the federal income tax benefits of an investment in the Company depends on the classification of the Company as a partnership for federal income tax purposes. Assuming the accuracy of certain factual matters as to which the General Partner and the Company have made representations, Counsel is of the opinion that, under current law, the Company will be classified as a partnership for federal income tax purposes. No ruling from the IRS as to classification of the Company as a partnership has been or is expected to be requested. Instead, the Company intends to rely on such opinion of Counsel (which is not binding on the IRS). Based on the representations of the Company and the General Partner and a review of applicable legal authorities , Counsel is of the opinion that at least 90% of the Company's gross income is income derived from the exploration, development, mining or production, processing, refining, transportation or marketing of any mineral or natural resource or other items of "qualifying income," within the meaning of Section 7704 of the Code. Whether the Company will continue to be classified as a partnership in part depends, therefore, on the Company's ability to meet this qualifying income test in the future. See "Tax Considerations--Partnership Status."

If the Company were classified as an association taxable as a corporation for federal income tax purposes, the Company would pay tax on its income at corporate rates (currently a 35% federal rate), distributions would generally be taxed again to the Unitholders as corporate distributions, and no income, gains, losses, deductions or credits would flow through to the Unitholders. Because a tax would be imposed upon the Company as an entity, the cash available for distribution to the holders of Common Units would be substantially reduced. Treatment of the Company as an association taxable as a corporation or otherwise as a taxable entity would result in a material reduction in the anticipated cash flow and after-tax return to the holders of Common Units and, thus, would likely result in a substantial reduction in the market value of the Common Units. See "Tax Considerations--Partnership Status."

There can be no assurance that the law will not be changed so as to cause the Company to be treated as an association taxable as a corporation for federal income tax purposes or otherwise to be subject to entity-level taxation. The Partnership Agreement provides that, if a law is enacted or existing law is modified or interpreted in a manner that subjects the Company to taxation as a corporation or otherwise subjects the Company to entity-level taxation for federal, state or local income tax purposes, certain provisions of the Partnership Agreement will be subject to change, including a decrease in the Minimum Quarterly Distribution and the Target Distribution Levels to reflect the impact of such law on the Company. See "Cash Distribution Policy--Adjustment of Minimum Quarterly Distribution and Target Distribution Levels."

No IRS Ruling With Respect to Tax Consequences

No ruling has been requested from the IRS with respect to classification of the Company as a partnership for federal income tax purposes, whether the Company's operations generate "qualifying income" under Section 7704 of the Code or any other matter affecting the Company. Accordingly, the IRS may adopt positions that differ from Counsel's conclusions expressed herein. It may be necessary to resort to administrative or court proceedings in an effort to sustain some or all of Counsel's conclusions, and some or all of such conclusions ultimately may not be sustained. Any such contest with the IRS may materially and adversely impact the market for the Common Units and the prices at which Common Units trade. In addition, the costs of any contest with the IRS will be borne directly or indirectly by some or all of the Unitholders and the General Partner.

Tax Liability Exceeding Cash Distributions

A Unitholder will be required to pay federal income taxes and, in certain cases, state and local income taxes on his allocable share of the Company's income, whether or not he receives cash distributions from the Company. There is no assurance that a Unitholder will receive cash distributions equal to his allocable share of taxable income from the Company or even the tax liability to him resulting from that income. Further, a holder of Common Units may incur a tax liability, in excess of the amount of cash received, upon the sale of his Common Units. See "Tax Considerations--Tax Consequences of Unit Ownership" and "--Disposition of Common Units."

Ownership of Common Units by Tax-Exempt Organizations and Certain Other Investors

Investment in Common Units by certain tax-exempt entities, regulated investment companies and foreign persons raises issues unique to such persons. For example, much of the taxable income derived from the ownership of a Common Unit by most organizations exempt from federal income tax (including IRAs and other retirement plans) will be unrelated business taxable income and, thus, will be taxable to such a Unitholder. See "Tax Considerations--Uniformity of Units" and "--Tax-Exempt Organizations and Certain Other Investors."

Limitation on Deductibility of Losses

In the case of taxpayers subject to the passive loss rules (generally, individuals and closely held corporations), losses generated by the Company, if any, will only be available to offset future income generated by the Company and cannot be used to offset income from other activities, including other passive activities or

investments. Passive losses that are not deductible because they exceed the Unitholder's income generated by the Company may be deducted in full when the Unitholder disposes of his entire investment in the Company to an unrelated party in a fully taxable transaction. Net passive income from the Company may be offset by unused Company losses carried over from prior years, but not by losses from other passive activities, including losses from other publicly-traded partnerships. See "Tax Considerations--Tax Consequences of Unit Ownership--Limitations on Deductibility of Company Losses."

Tax Shelter Registration; Potential IRS Audit

The Company has applied for registration with the Secretary of the Treasury as a "tax shelter." No assurance can be given that the Company will not be audited by the IRS or that tax adjustments will not be made. The rights of a Unitholder owning less than a 1% interest in the Company to participate in the income tax audit process are very limited. Further, any adjustments in the Company's tax returns will lead to adjustments in the Unitholders' tax returns and may lead to audits of Unitholders' tax returns and adjustments of items unrelated to the Company. Each Unitholder would bear the cost of any expenses incurred in connection with an examination of such Unitholder's personal tax return. Registration as a tax shelter may increase the risk of an audit.

Possible Loss of Tax Benefits Relating to Non-uniformity of Common Units and Nonconforming Depreciation Conventions

Because the Company cannot match transferors and transferees of Common Units, uniformity of the economic and tax characteristics of the Common Units to a purchaser of Common Units must be maintained. To maintain uniformity and for other reasons, the Company will adopt certain depreciation and amortization conventions that do not conform with all aspects of certain proposed and final Treasury regulations. A successful challenge to those conventions by the IRS could adversely affect the amount of tax benefits available to a purchaser of Common Units and could have a negative impact on the value of the Common Units. See "Tax Considerations--Uniformity of Units."

State, Local and Other Tax Considerations

In addition to federal income taxes, Unitholders will likely be subject to other taxes, such as state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which the Company does business or owns property. A Unitholder will likely be required to file state and local income tax returns and pay state and local income taxes in some or all of the various jurisdictions in which the Company does business or owns property and may be subject to penalties for failure to comply with those requirements. The Company will initially own property and conduct business in Alabama, Louisiana, Mississippi and Texas. It is the responsibility of each Unitholder to file all United States federal, state and local tax returns that may be required of such Unitholder. Counsel has not rendered an opinion on the state or local tax consequences of an investment in the Company. See "Tax Considerations--State, Local and Other Tax Considerations."

Changes in Federal Income Tax Laws

The TRA of 1997 alters the tax reporting system and the deficiency collection system applicable to large partnerships that elect to have the provisions apply and makes certain additional changes to the treatment of large partnerships. The legislation contained in the TRA of 1997 is generally intended to simplify the administration of the tax rules governing large partnerships. See "Tax Considerations--Tax Consequences of Unit Ownership." It is not expected that the Company will elect to have these provisions apply because of the cost of their application.

The TRA of 1997 also affects the taxation of certain financial products, including partnership interests, by treating a taxpayer as having sold an "appreciated" partnership interest (one in which gain would be recognized

if it were sold, assigned or otherwise terminated at its fair market value) if the taxpayer or related persons enter into a short sale of an offsetting notional principal contract with respect to or a futures or forward contract to deliver the same or substantially identical property, or in the case of an appreciated financial position that is a short sale or offsetting notional principal or futures or forward contract, the taxpayer or related persons acquire the same or substantially identical property. The Secretary of Treasury is also authorized to issue regulations that treat a taxpayer that enters in transactions or positions that have substantially the same effect as the preceding transactions as having constructively sold the financial position. See "Tax Considerations--Disposition of Common Units."

Tax Gain or Loss on Disposition of Common Units

A Unitholder who sells Common Units will recognize gain or loss equal to the difference between the amount realized (including his share of Company nonrecourse liabilities) and his adjusted tax basis in such Common Units (which also includes his share of Company nonrecourse liabilities). Thus, prior Company distributions in excess of cumulative net taxable income in respect of a Common Unit that decreased a Unitholder's adjusted tax basis in such Common Unit will, in effect, become taxable income if the Common Unit is sold at a price greater than the Unitholder's adjusted tax basis in such Common Unit, even if the price is less than his original cost. A portion of the amount realized (whether or not representing gain) may be ordinary income. Furthermore, should the IRS successfully contest certain conventions to be used by the Company, a Unitholder could realize more gain on the sale of Units than would be the case under such conventions without the benefit of decreased income in prior years.

Reporting of Company Tax Information and Risk of Audits

The Company will furnish each holder of Common Units with a Schedule K-1 that sets forth his share of Company income, gains, losses, deductions and credits. In preparing these schedules, the Company will use various accounting and reporting conventions and adopt various depreciation and amortization methods. There is no assurance that these schedules will yield a result that conforms to statutory or regulatory requirements or to administrative pronouncements of the IRS. Further, the Company's tax return may be audited, and any such audit could result in an audit of a Unitholder's individual tax return as well as increased liabilities for taxes because of adjustments resulting from such audit.

THE TRANSACTIONS

GENERAL

At the closing of this offering, the Company will become the owner of all of EPCO's businesses and assets, except for the Retained Assets (as defined below). In connection with the acquisition of such businesses and assets, the Company will assume certain of the liabilities associated with such businesses and assets and will issue Common Units and Subordinated Units to EPCO (which EPCO will then contribute to a wholly-owned subsidiary). The Company will issue the Common Units offered hereby and will contribute the net proceeds from such offering to the Operating Partnership. The Operating Partnership will use the net proceeds from such offering in the manner described below under "Use of Proceeds." Following this offering, a wholly-owned subsidiary of EPCO will own 32,022,222 Common Units and 23,604,444 Subordinated Units, representing a 43.8% limited partner interest and a 31.3% limited partner interest, respectively, in the Company and the Operating Partnership taken as a whole. In addition, the General Partner will own a combined 2% general partner interest in the Company and the Operating Partnership.

RETAINED ASSETS AND LIABILITIES

EPCO and its affiliates will retain ownership of, and will not contribute to the Company, (i) all of the assets and liabilities associated with its trucking operations, (ii) 1% of EPCO's 50% interest in Mont Belvieu Associates, a general partnership with Kinder Morgan that owns a 50% undivided interest in the Mont Belvieu fractionation facilities, and any related management rights of EPCO as a general partner, (iii) EPCO's interest in a Canadian company that markets NGL products, (iv) EPCO's interests in American Enterprise Insurance, Ltd., a wholly-owned Bermuda captive insurance company, and (v) certain other immaterial properties, assets and interests (such retained assets and interests being herein referred to as the "Retained Assets"). The Retained Assets are not material to the profitability of the businesses currently conducted by EPCO. In order to ensure that the Company has access to trucking assets and operations as necessary to permit it to conduct its business in the same manner that it has heretofore been conducted, EPCO will agree to provide trucking services to the Company. In addition, EPCO will retain all liabilities with respect to, and the Company will not assume any liabilities with respect to, (i) a $125 million series of EPCO senior notes due June 30, 2007; (ii) the Retained Leases (as defined below); and (iii) all litigation to which EPCO or any of its affiliates are parties that is pending upon the closing of the Transactions. The Retained Leases include operating leases relating to (i) an isomerization unit, (ii) one deisobutanizer tower, (iii) two cogeneration units, and (iv) 100 railcars. EPCO will assign its rights to purchase the facilities and equipment covered by the Retained Leases to the Company. EPCO also will grant the Company an option to acquire the remaining 1% interest in Mont Belvieu Associates.

EPCO AGREEMENT

In connection with the Transactions, EPCO, the General Partner and the Company will enter into the EPCO Agreement pursuant to which (i) EPCO will agree to manage the business and affairs of the Company and the Operating Partnership; (ii) EPCO will agree to employ the operating personnel involved in the Company's business for which EPCO will be reimbursed by the Company at cost; (iii) the Company and the Operating Partnership will agree to participate as named insureds in EPCO's current insurance program, and costs will be allocated among the parties on the basis of formulas set forth in the agreement; (iv) EPCO will agree to grant an irrevocable, non-exclusive worldwide license to all of the trademarks and tradenames used in its business to the Company; and (v) EPCO will agree to sublease all of the equipment which it holds pursuant to the Retained Leases to the Company for $1 per year and assign its purchase options under such leases to the Company. Pursuant to the EPCO Agreement, EPCO will be reimbursed at cost for all expenses that it incurs in connection with managing the business and affairs of the Company, except that EPCO will not be entitled to be reimbursed for any selling, general and administrative expenses. In lieu of reimbursement for such selling, general and administrative expenses, EPCO will be entitled to receive an administrative services fee that will initially equal $12.0 million. The General Partner, with the approval and consent of the Audit and Conflicts Committee, will have the right to agree to increases in such administrative services fee of up to 10% each year during the 10-year term of the EPCO Agreement and may agree to further increases in such fee in connection with expansions of the Company's operations through the construction of new facilities or the completion of acquisitions that require additional management personnel.

USE OF PROCEEDS

The net proceeds to the Company from the sale of Common Units offered hereby will be approximately $371.8 million (assuming an initial public offering price of $23.25 per Common Unit), after deducting underwriting discounts and commissions and estimated offering expenses. The Company will contribute such proceeds to the Operating Partnership, which will use (i) approximately $282.3 million of such proceeds to repay the indebtedness assumed by the Operating Partnership in connection with the Transactions, (ii) approximately $33.6 million to purchase a participation interest in the indebtedness of the Company's two joint ventures (the "Loan Participations"), (iii) approximately $46.5 million to fund the Company's share of new joint venture projects and (iv) the remainder for general partnership purposes, including the payment of accrued interest on the indebtedness to be repaid.

The following table describes the sources and uses of funds from the offering:

SOURCE OF FUNDS	AMOUNT (IN MILLIONS)
Sale of Common Units	$399.9
USE OF FUNDS	
Repay Secured Notes	52.5
Repay Senior Notes	37.5
Repay Subordinated Notes	3.0
Repay Bank Debt	179.8
Pay Make-Whole Amounts	9.5
Purchase Participation Interest in Bank Indebtedness of Belvieu Environmental Fuels	26.1
Purchase Participation Interest in Bank Indebtedness of Mont Belvieu Associates	7.5
Investments in New Projects	46.5
Underwriting Commissions and Offering Expenses	28.1
General Partnership Purposes and Accrued Interest	9.4
Total	$399.9

The Secured Notes consist of five separate series of secured notes with interest rates ranging from 8.82% to 12.10% per annum. Each series requires the payment of annual installments of principal. The Secured Notes have due dates ranging from January 31, 1999 to January 31, 2004. The Senior Notes consist of six separate series of senior notes with interest rates ranging from 8.92% to 12.10% per annum. Each series requires the payment of annual installments of principal. The Senior Notes have due dates ranging from May 15, 1999 to December 31, 2004. The Subordinated Notes consist of one series of notes due April 30, 2000. The Subordinated Notes bear interest at the rate of 9.30% per annum plus contingent interest based on operating income of EPCO.

The Bank Debt consists of borrowings under both revolving lines of credit and term loan facilities. The Company will use a portion of the net proceeds to repay $60.0 million principal amount of borrowings under its bank credit agreement. The bank credit agreement provides for a $60.0 million revolving line of credit and a $20.0 million letter of credit facility. Borrowings under the bank credit agreement bear interest at a floating rate per annum of LIBOR plus 1.00%. The Company will also repay a total of approximately $119.8 million of Bank Debt consisting of term loans. These term loans bear interest at floating rates per annum ranging from LIBOR plus 1.5% to LIBOR plus 2.00%. These term loans require either monthly or quarterly payment of principal and interest and have due dates ranging from December 31, 1999 to June 27, 2003.

The Loan Participations consist of participating interests in two separate loans to joint ventures in which the Company will have an interest. The Company will acquire a 60% participation interest in a loan to Mont Belvieu Associates, which had an outstanding principal amount of $13.7 million as of March 31, 1998, and requires payment of monthly installments of principal and interest and bears interest at a floating rate per annum

of LIBOR plus 0.75% and is due December 31, 2001. The Company will also acquire a 33 1/3% participation interest in a loan to BEF, which had an outstanding principal amount of $88.0 million as of March 31, 1998, and requires payment of quarterly installments of principal and interest and bears interest at the floating rate per annum of LIBOR plus 0.875% and is due May 31, 2000.

The Operating Partnership will use approximately $46.5 million of the proceeds from this offering to finance the Company's new projects which include the Baton Rouge Fractionator, Tri-States Pipeline, Wilprise Pipeline and the NGL Product Chiller and will use the remaining proceeds, including any proceeds from the exercise of the underwriters' over-allotment option, for general partnership purposes.

CAPITALIZATION

The following table sets forth: (i) the capitalization of the Company as of December 31, 1997, (ii) the pro forma adjustments required to reflect the Transactions, including the sale of the Common Units offered hereby (assuming an initial public offering price of $23.25 per Common Unit) and the application of the net proceeds therefrom as described in "Use of Proceeds," and (iii) the pro forma capitalization of the Company as of December 31, 1997 after giving effect thereto. The table should be read together with the historical and pro forma financial statements and notes thereto included elsewhere in this Prospectus.

	AS OF DECEMBER 31, 1997		
	HISTORICAL	PRO FORMA ADJUSTMENTS (UNAUDITED)	PRO FORMA (UNAUDITED)
	(IN THOUSANDS)		
Long-term debt (including current portion):			
Secured Notes	$ 65,395	$(65,395)	$ --
Senior Notes	39,843	(39,843)	--
Term loans	110,303	(110,303)	--
Revolving credit facility	45,000	(45,000)	--
Total indebtedness	260,541	(260,541)	--
Minority interest	2,853	3,576	6,429
Combined equity	282,428	(282,428)	--
Partners' equity:			
Common Units	--	524,199	524,199
Subordinated Units	--	105,886	105,886
General partner interest	--	6,429	6,429
Total partners' and combined equity	282,428	636,514	636,514
Total capitalization	$545,822	$ 97,121	$642,943

DILUTION

On a pro forma basis as of December 31, 1997, after giving effect to the Transactions, the net tangible book value was $636.5 million or $8.45 per Common Unit. Purchasers of Common Units in this offering will experience substantial and immediate dilution in net tangible book value per Common Unit for financial accounting purposes, as illustrated in the following table:

Assumed initial public offering price per Common Unit		$23.25
Net tangible book value per Unit before the offering (a)(b)	4.84	
Increase in net tangible book value per Common Unit attributable to new investors	3.61	
Less: Pro forma net tangible book value per Common Unit after the offering (b)(c)		8.45
Immediate dilution in net tangible book value per Common Unit to new investors		$14.80

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(a) Determined by dividing the number of Units (33,022,222 Common Units and 23,604,444 Subordinated Units and the combined 2% interest of the General Partner having a dilutive effect equivalent to 1,506,667 Units) to be issued to EPCO and the General Partner for the contribution of the assets of EPCO to the Company into the net tangible book value of the contributed assets and liabilities.

(b) The net tangible book value does not include amounts attributable to unamortized debt costs.

(c) Determined by dividing the total number of Units (50,222,222 Common Units, 23,604,444 Subordinated Units and the combined 2% interest of the General Partner having a dilutive effect equivalent to 1,506,667 Units) to be outstanding after the offering made hereby, into the pro forma net tangible book value of the Company allocable to such Units, after giving effect to the application of the net proceeds of this offering.

The following table sets forth the number of Units issued by the Company and the total consideration contributed by the General Partner and its affiliates in respect of their Units and by purchasers of Common Units in this offering upon the consummation of the Transactions:

	UNITS ACQUIRED		TOTAL CONSIDERATION	
	NUMBER	PERCENT	AMOUNTS	PERCENT
General Partner and its affiliates(a)(b)	58,133,333	77.1	$281,239,000	41.3%
New Investors	17,200,000	22.9	399,900,000	58.7
	75,333,333	100.0%	681,139,000	100.0%

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(a) Upon the consummation of the Transactions, EPCO will own an aggregate of 56,626,666 Common Units and Subordinated Units and the General Partner will own the combined 2% interest in the Company having a dilutive effect equivalent to 1,506,667 Units.

(b) Total consideration for EPCO and the General Partner represents the book value (excluding amounts attributable to unamortized debt costs) at December 31, 1997 of $281.2 million.

CASH DISTRIBUTION POLICY

GENERAL

The Company will distribute to its partners, on a quarterly basis, all of its Available Cash in the manner described herein. Available Cash is defined in the Glossary and generally means, with respect to any quarter of the Company, all cash on hand at the end of such quarter less the amount of cash reserves that is necessary or appropriate in the reasonable discretion of the General Partner to (i) provide for the proper conduct of the Company's business, (ii) comply with applicable law or any Company debt instrument or other agreement or (iii) provide funds for distributions to Unitholders and the General Partner in respect of any one or more of the next four quarters.

Cash distributions will be characterized as distributions from either Operating Surplus or Capital Surplus. This distinction affects the amounts distributed to Unitholders relative to the General Partner, and under certain circumstances it determines whether holders of Subordinated Units receive any distributions. See "--Quarterly Distributions of Available Cash."

Operating Surplus is defined in the Glossary and refers generally to (a) the sum of (i) the cash balance of the Company on the date this offering closes (excluding $46.5 million expected to be spent from the proceeds of this offering on new projects), (ii) $60 million and (iii) all cash receipts of the Company from its operations since the closing of the Transactions (excluding cash constituting Capital Surplus), less (b) the sum of (i) all Company operating expenses, (ii) debt service payments (including reserves therefor but not including payments required in connection with the sale of assets or any refinancing with the proceeds of new indebtedness or an equity offering), (iii) maintenance capital expenditures and (iv) reserves established for future Company operations, in each case since the closing of the Transactions. Capital Surplus is also defined in the Glossary and will generally be generated only by borrowings (other than borrowings for certain working capital purposes), sales of debt and equity securities and sales or other dispositions of assets for cash (other than inventory, accounts receivable and other assets all as disposed of in the ordinary course of business).

To avoid the difficulty of trying to determine whether Available Cash distributed by the Company is from Operating Surplus or from Capital Surplus, all Available Cash distributed by the Company from any source will be treated as distributed from Operating Surplus until the sum of all Available Cash distributed since the commencement of the Company equals the Operating Surplus as of the end of the quarter prior to such distribution. Any Available Cash in excess of such amount (irrespective of its source) will be deemed to be from Capital Surplus and distributed accordingly.

If Available Cash from Capital Surplus is distributed in respect of each Common Unit in an aggregate amount per Common Unit equal to the initial public offering price of the Common Units (the "Initial Unit Price"), plus any Common Unit Arrearages, the distinction between Operating Surplus and Capital Surplus will cease, and all distributions of Available Cash will be treated as if they were from Operating Surplus. The Company does not anticipate that there will be significant distributions from Capital Surplus.

The Subordinated Units are a separate class of interests in the Company, and the rights of holders of such interests to participate in distributions to partners differ from the rights of the holders of Common Units. For any given quarter, any Available Cash will be distributed to the General Partner and to the holders of Common Units, and may also be distributed to the holders of Subordinated Units depending upon the amount of Available Cash for the quarter, the amount of Common Unit Arrearages, if any, and other factors discussed below.

The Incentive Distribution Rights are nonvoting limited partner interests that represent the right to receive an increasing percentage of quarterly distributions of Available Cash from Operating Surplus after the Target Distribution Levels have been achieved. The Target Distribution Levels are based on the amounts of Available Cash from Operating Surplus distributed in excess of the payments made with respect to the Minimum Quarterly Distribution and Common Unit Arrearages, if any, and the related 2% distribution to the General Partner.

Subject to the limitations described under "The Partnership Agreement--Issuance of Additional Securities," the Company has the authority to issue additional Common Units or other equity securities of the Company for such consideration and on such terms and conditions as are established by the General Partner in its sole discretion and without the approval of the Unitholders. It is possible that the Company will fund acquisitions of assets or other capital projects through the issuance of additional Common Units or other equity securities of the Company. Holders of any additional Common Units issued by the Company will be entitled to share equally with the then-existing holders of Common Units in distributions of Available Cash by the Company. In addition, the issuance of additional Partnership Interests may dilute the value of the interests of the then-existing holders of Common Units in the net assets of the Company. The General Partner will be required to make an additional capital contribution to the Company or the Operating Partnership (including in connection with the exercise of the over-allotment option) in connection with the issuance of additional Partnership Interests.

The discussion in the sections below indicates the percentages of cash distributions required to be made to the General Partner and the holders of Common Units and the circumstances under which holders of Subordinated Units are entitled to receive cash distributions and the amounts thereof. For a discussion of Available Cash from Operating Surplus available for distributions with respect to the Common Units on a pro forma basis, see "Cash Available for Distribution."

QUARTERLY DISTRIBUTIONS OF AVAILABLE CASH

The Company will make distributions to its partners with respect to each quarter of the Company prior to its liquidation in an amount equal to 100% of its Available Cash for such quarter. The Company expects to make distributions of all Available Cash within approximately 45 days after the end of each quarter, commencing with the quarter ending September 30, 1998, to holders of record on the applicable record date. The Minimum Quarterly Distribution and the Target Distribution Levels for the period from the closing of this offering through September 30, 1998 will be adjusted downward based on the actual length of such period. The Minimum Quarterly Distribution and the Target Distribution Levels are also subject to certain other adjustments as described below under "--Distributions from Capital Surplus" and "--Adjustment of Minimum Quarterly Distribution and Target Distribution Levels."

With respect to each quarter during the Subordination Period, to the extent there is sufficient Available Cash, the holders of Common Units will have the right to receive the Minimum Quarterly Distribution, plus any Common Unit Arrearages, prior to any distribution of Available Cash to the holders of Subordinated Units. This subordination feature will enhance the Company's ability to distribute the Minimum Quarterly Distribution on the Common Units during the Subordination Period. There is no guarantee, however, that the Minimum Quarterly Distribution will be made on the Common Units. Upon expiration of the Subordination Period, all Subordinated Units will be converted on a one-for-one basis into Common Units and will participate pro rata with all other Common Units in future distributions of Available Cash. Under certain circumstances, up to 50% of the Subordinated Units may convert into Common Units prior to the expiration of the Subordination Period. Common Units will not accrue arrearages with respect to distributions for any quarter after the Subordination Period and Subordinated Units will not accrue any arrearages with respect to distributions for any quarter.

DISTRIBUTIONS FROM OPERATING SURPLUS DURING SUBORDINATION PERIOD

The Subordination Period will generally extend from the closing of this offering until the first day of any quarter beginning after June 30, 2003 in respect of which (i) distributions of Available Cash from Operating Surplus on the Common Units and the Subordinated Units with respect to each of the three consecutive, non-overlapping, four-quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the outstanding Common Units and Subordinated Units during such periods, (ii) the Adjusted Operating Surplus generated during each of the three consecutive, non-overlapping, four-quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the Common Units and Subordinated Units that were outstanding during such period on a fully diluted

basis and the related distribution on the general partner interests in the Company and the Operating Partnership and (iii) there are no outstanding Common Unit Arrearages.

Prior to the end of the Subordination Period, a portion of the Subordinated Units will convert into Common Units on a one-for-one basis on the first day after the record date established for the distribution in respect of any quarter ending on or after (a) June 30, 2001 with respect to one-quarter of the Subordinated Units (5,901,111 Subordinated Units), and (b) June 30, 2002 with respect to one-quarter of the Subordinated Units (5,901,111 Subordinated Units), in respect of which (i) distributions of Available Cash from Operating Surplus on the Common Units and the Subordinated Units with respect to each of the three consecutive, non-overlapping, four-quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the outstanding Common Units and Subordinated Units during such periods, (ii) the Adjusted Operating Surplus generated during each of the three consecutive, non-overlapping, four-quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the Common Units and Subordinated Units that were outstanding during such period on a fully diluted basis and the related distribution on the general partner interests in the Company and the Operating Partnership and (iii) there are no outstanding Common Unit Arrearages; provided, however, that the early conversion of the second one-quarter of Subordinated Units may not occur until at least one year following the early conversion of the first one-quarter of Subordinated Units.

Upon expiration of the Subordination Period, all remaining Subordinated Units will convert into Common Units on a one-for-one basis and will thereafter participate, pro rata, with the other Common Units in distributions of Available Cash. In addition, if the General Partner is removed as the general partner of the Company under circumstances where Cause does not exist and Units held by the General Partner and its affiliates are not voted in favor of such removal, (i) the Subordination Period will end and all outstanding Subordinated Units will immediately convert into Common Units on a one-for-one basis, (ii) any existing Common Unit Arrearages will be extinguished and (iii) the General Partner will have the right to convert its general partner interest (and its right to receive Incentive Distributions) into Common Units or to receive cash in exchange for such interests.

"Adjusted Operating Surplus" for any period generally means Operating Surplus generated during such period, less (a) any net increase in working capital borrowings during such period and (b) any net reduction in cash reserves for Operating Expenditures during such period not relating to an Operating Expenditure made during such period; and plus (x) any net decrease in working capital borrowings during such period and (y) 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. Operating Surplus generated during a period is equal to the difference between (i) the Operating Surplus determined at the end of such period and (ii) the Operating Surplus determined at the beginning of such period.

Distributions by the Company of Available Cash from Operating Surplus with respect to any quarter during the Subordination Period will be made in the following manner:

first, 98% to the Common Unitholders, pro rata, and 2% to the General Partner, until there has been distributed in respect of each outstanding Common Unit an amount equal to the Minimum Quarterly Distribution for such quarter;

second, 98% to the Common Unitholders, pro rata, and 2% to the General Partner, until there has been distributed in respect of each outstanding Common Unit an amount equal to any Common Unit Arrearages accrued and unpaid with respect to any prior quarters during the Subordination Period;

third, 98% to the Subordinated Unitholders, pro rata, and 2% to the General Partner, until there has been distributed in respect of each outstanding Subordinated Unit an amount equal to the Minimum Quarterly Distribution for such quarter; and

thereafter, in the manner described in "--Incentive Distributions--Hypothetical Annualized Yield" below.

The above references to the 2% of Available Cash from Operating Surplus distributed to the General Partner are references to the amount of the percentage interest in distributions from the Company and the Operating Partnership of the General Partner (exclusive of its or any of its affiliates' interests as holders of Common Units or Subordinated Units). The General Partner will own a 1% general partner interest in the Company and a 1.0101% general partner interest in the Operating Partnership. With respect to any Common Unit, the term "Common Unit Arrearages" refers to the amount by which the Minimum Quarterly Distribution in any quarter during the Subordination Period exceeds the distribution of Available Cash from Operating Surplus actually made for such quarter on a Common Unit issued in this offering, cumulative for such quarter and all prior quarters during the Subordination Period. Common Unit Arrearages will not accrue interest.

DISTRIBUTIONS FROM OPERATING SURPLUS AFTER SUBORDINATION PERIOD

Distributions by the Company of Available Cash from Operating Surplus with respect to any quarter after the Subordination Period will be made in the following manner:

first, 98% to all Unitholders, pro rata, and 2% to the General Partner, until there has been distributed in respect of each Unit an amount equal to the Minimum Quarterly Distribution for such quarter; and

thereafter, in the manner described in "--Incentive Distributions--Hypothetical Annualized Yield" below.

INCENTIVE DISTRIBUTIONS--HYPOTHETICAL ANNUALIZED YIELD

For any quarter for which Available Cash from Operating Surplus is distributed to the Common and Subordinated Unitholders in an amount equal to the Minimum Quarterly Distribution on all Units and to the Common Unitholders in an amount equal to any unpaid Common Unit Arrearages, then any additional Available Cash from Operating Surplus in respect of such quarter will be distributed among the Unitholders and the General Partner in the following manner:

first, 98% to all Unitholders, pro rata, and 2% to the General Partner, until the Unitholders have received (in addition to any distributions to Common Unitholders to eliminate Common Unit Arrearages) a total of $ for such quarter in respect of each outstanding Unit (the "First Target Distribution");

second, 85% to all Unitholders, pro rata, and 15% to the General Partner, until the Unitholders have received (in addition to any distributions to Common Unitholders to eliminate Common Unit Arrearages) a total of $ for such quarter in respect of each outstanding Unit (the "Second Target Distribution");

third, 75% to all Unitholders, pro rata, and 25% to the General Partner, until the Unitholders have received (in addition to any distributions to Common Unitholders to eliminate Common Unit Arrearages) a total of $ for such quarter in respect of each outstanding Unit (the "Third Target Distribution"); and

thereafter, 50% to all Unitholders, pro rata, and 50% to the General Partner.

The distributions to the General Partner set forth above that are in excess of its aggregate 2% general partner interest represent the Incentive Distributions. The right to receive Incentive Distributions is not part of the general partner interest and may be transferred separately from such interest in certain limited circumstances. See "The Partnership Agreement--Transfer of General Partner's Interests and Incentive Distribution Rights."

The following table illustrates the percentage allocation of the additional Available Cash from Operating Surplus between the Unitholders and the General Partner up to the various Target Distribution Levels and a hypothetical annualized percentage yield to be realized by a Unitholder at each Target Distribution Level. For purposes of the following table, the annualized percentage yield is calculated on a pretax basis assuming that (i)

the Common Unit was purchased at an amount equal to the initial public offering price of $ per Common Unit and (ii) the Company distributed each quarter during the first year following the investment the amount set forth under the column "Total Quarterly Distribution Target Amount." The calculations are also based on the assumption that the quarterly distribution amounts shown do not include any Common Unit Arrearages. The amounts set forth under "Marginal Percentage Interest in Distributions" are the percentage interests of the General Partner and the Unitholders in any Available Cash from Operating Surplus distributed up to and including the corresponding amount in the column "Total Quarterly Distribution Target Amount," until Available Cash distributed reaches the next Target Distribution Level, if any. The percentage interests shown for the Unitholders and the General Partner for the Minimum Quarterly Distribution are also applicable to quarterly distribution amounts that are less than the Minimum Quarterly Distribution.

	TOTAL QUARTERLY DISTRIBUTION TARGET AMOUNT	HYPOTHETICAL ANNUALIZED YIELD	MARGINAL PERCENTAGE INTEREST IN DISTRIBUTIONS	
			UNITHOLDERS	GENERAL PARTNERS
Minimum Quarterly Distribution...	$	%	98%	2%
First Target Distribution........	$	%	98%	2%
Second Target Distribution.......	$	%	85%	15%
Third Target Distribution........	$	%	75%	25%
Thereafter.......................	above $	above%	50%	50%

DISTRIBUTIONS FROM CAPITAL SURPLUS

Distributions by the Company of Available Cash from Capital Surplus will be made in the following manner:

first, 98% to all Unitholders, pro rata, and 2% to the General Partner, until the Company has distributed, in respect of each outstanding Common Unit issued in this offering, Available Cash from Capital Surplus in an aggregate amount per Common Unit equal to the Initial Unit Price;

second, 98% to the holders of Common Units, pro rata, and 2% to the General Partner, until the Company has distributed, in respect of each outstanding Common Unit, Available Cash from Capital Surplus in an aggregate amount equal to any unpaid Common Unit Arrearages with respect to such Common Unit; and

thereafter, all distributions of Available Cash from Capital Surplus will be distributed as if they were from Operating Surplus.

As a distribution of Available Cash from Capital Surplus is made, it is treated as if it were a repayment of the Initial Unit Price. To reflect such repayment, the Minimum Quarterly Distribution and the Target Distribution Levels will be adjusted downward by multiplying each such amount by a fraction, the numerator of which is the Unrecovered Capital (as defined in the Glossary) of the Common Units immediately after giving effect to such repayment and the denominator of which is the Unrecovered Capital of the Common Units immediately prior to such repayment. This adjustment to the Minimum Quarterly Distribution may make it more likely that Subordinated Units will be converted into Common Units (whether pursuant to the termination of the Subordination Period or to the provisions permitting early conversion of some Subordinated Units) and may accelerate the dates at which such conversions occur.

When "payback" of the Initial Unit Price has occurred, i.e., when the Unrecovered Capital of the Common Units is zero (and any accrued Common Unit Arrearages have been paid), the Minimum Quarterly Distribution and each of the Target Distribution Levels will have been reduced to zero for subsequent quarters. Thereafter, all distributions of Available Cash from all sources will be treated as if they were from Operating Surplus. Because the Minimum Quarterly Distribution and the Target Distribution Levels will have been reduced to zero, the General Partner will be entitled thereafter to receive 50% of all distributions of Available Cash in its capacity

as General Partner and as holder of the Incentive Distribution Rights (in addition to any distributions to which it or its affiliates may be entitled as holders of Units).

Distributions of Available Cash from Capital Surplus will not reduce the Minimum Quarterly Distribution or Target Distribution Levels for the quarter with respect to which they are distributed.

ADJUSTMENT OF MINIMUM QUARTERLY DISTRIBUTION AND TARGET DISTRIBUTION LEVELS

In addition to reductions of the Minimum Quarterly Distribution and Target Distribution Levels made upon a distribution of Available Cash from Capital Surplus, the Minimum Quarterly Distribution, the Target Distribution Levels, the Unrecovered Capital, the number of additional Common Units issuable during the Subordination Period without a Unitholder vote, the number of Common Units issuable upon conversion of the Subordinated Units and other amounts calculated on a per Unit basis will be proportionately adjusted upward or downward, as appropriate, in the event of any combination or subdivision of Common Units (whether effected by a distribution payable in Common Units or otherwise), but not by reason of the issuance of additional Common Units for cash or property. For example, in the event of a two-for-one split of the Common Units (assuming no prior adjustments), the Minimum Quarterly Distribution, each of the Target Distribution Levels and the Unrecovered Capital of the Common Units would each be reduced to 50% of its initial level.

The Minimum Quarterly Distribution and the Target Distribution Levels may also be adjusted if legislation is enacted or if existing law is modified or interpreted by the relevant governmental authority in a manner that causes the Company to become taxable as a corporation or otherwise subjects the Company to taxation as an entity for federal, state or local income tax purposes. In such event, the Minimum Quarterly Distribution and the Target Distribution Levels would be reduced to an amount equal to the product of (i) the Minimum Quarterly Distribution and each of the Target Distribution Levels, respectively, multiplied by (ii) one minus the sum of (x) the maximum effective federal income tax rate to which the Company is then subject as an entity plus (y) any increase that results from such legislation in the effective overall state and local income tax rate to which the Company is subject as an entity for the taxable year in which such event occurs (after taking into account the benefit of any deduction allowable for federal income tax purposes with respect to the payment of state and local income taxes). For example, assuming the Company was not previously subject to state and local income tax, if the Company were to become taxable as an entity for federal income tax purposes and the Company became subject to a maximum marginal federal, and effective state and local, income tax rate of 38%, then the Minimum Quarterly Distribution and the Target Distribution Levels would each be reduced to 62% of the amount thereof immediately prior to such adjustment.

DISTRIBUTIONS OF CASH UPON LIQUIDATION

Following the commencement of the dissolution and liquidation of the Company, assets will be sold or otherwise disposed of from time to time and the partners' capital account balances will be adjusted to reflect any resulting gain or loss. The proceeds of such liquidation will, first, be applied to the payment of creditors of the Company in the order of priority provided in the Partnership Agreement and by law and, thereafter, be distributed to the Unitholders and the General Partner in accordance with their respective capital account balances as so adjusted.

Partners are entitled to liquidating distributions in accordance with capital account balances. The allocations of gains and losses upon liquidation are intended, to the extent possible, to entitle the holders of outstanding Common Units to a preference over the holders of outstanding Subordinated Units upon the liquidation of the Company, to the extent required to permit Common Unitholders to receive their Unrecovered Capital plus any unpaid Common Unit Arrearages. Thus, net losses recognized upon liquidation of the Company will be allocated to the holders of the Subordinated Units to the extent of their capital account balances before any loss is allocated to the holders of the Common Units, and net gains recognized upon liquidation will be allocated first to restore negative balances in the capital account of the General Partner and any Unitholders and then to the Common Unitholders until their capital account balances equal their Unrecovered Capital plus unpaid Common Unit

Arrearages. However, no assurance can be given that there will be sufficient gain upon liquidation of the Company to enable the holders of Common Units to fully recover all of such amounts, even though there may be cash available after such allocation for distribution to the holders of Subordinated Units.

The manner of such adjustment is as provided in the Partnership Agreement, the form of which is included as Appendix A to this Prospectus. If the liquidation of the Company occurs before the end of the Subordination Period, any net gain (or unrealized gain attributable to assets distributed in kind) will be allocated to the partners as follows:

first, to the General Partner and the holders of Units having negative balances in their capital accounts to the extent of and in proportion to such negative balances;

second, 98% to the holders of Common Units, pro rata, and 2% to the General Partner, until the capital account for each Common Unit is equal to the sum of (i) the Unrecovered Capital in respect of such Common Unit, (ii) the amount of the Minimum Quarterly Distribution for the quarter during which liquidation of the Company occurs and (iii) any unpaid Common Unit Arrearages in respect of such Common Unit;

third, 98% to the holders of Subordinated Units, pro rata, and 2% to the General Partner, until the capital account for each Subordinated Unit is equal to the sum of (i) the Unrecovered Capital in respect of such Subordinated Unit and (ii) the amount of the Minimum Quarterly Distribution for the quarter during which the liquidation of the Company occurs;

fourth, 98% to all Unitholders, pro rata, and 2% to the General Partner, until there has been allocated under this paragraph fourth an amount per Unit equal to (a) the sum of the excess of the First Target Distribution per Unit over the Minimum Quarterly Distribution per Unit for each quarter of the Company's existence, less (b) the cumulative amount per Unit of any distributions of Available Cash from Operating Surplus in excess of the Minimum Quarterly Distribution per Unit that were distributed 98% to the Unitholders, pro rata, and 2% to the General Partner for each quarter of the Company's existence;

fifth, 85% to the Unitholders, pro rata, and 15% to the General Partner, until there has been allocated under this paragraph fifth an amount per Unit equal to (a) the sum of the excess of the Second Target Distribution per Unit over the First Target Distribution per Unit for each quarter of the Company's existence, less (b) the cumulative amount per Unit of any distributions of Available Cash from Operating Surplus in excess of the First Target Distribution per Unit that were distributed 85% to the Unitholders, pro rata, and 15% to the General Partner for each quarter of the Company's existence;

sixth, 75% to all Unitholders, pro rata, and 25% to the General Partner, until there has been allocated under this paragraph sixth an amount per Unit equal to (a) the sum of the excess of the Third Target Distribution per Unit over the Second Target Distribution per Unit for each quarter of the Company's existence, less (b) the cumulative amount per Unit of any distributions of Available Cash from Operating Surplus in excess of the Second Target Distribution per Unit that were distributed 75% to the Unitholders, pro rata, and 25% to the General Partner for each quarter of the Company's existence; and

thereafter, 50% to all Unitholders, pro rata, and 50% to the General Partner.

If the liquidation occurs after the Subordination Period, the distinction between Common Units and Subordinated Units will disappear, so that clauses (ii) and (iii) of paragraph second above and all of paragraph third above will no longer be applicable.

Upon liquidation of the Company, any loss will generally be allocated to the General Partner and the Unitholders as follows:

first, 98% to holders of Subordinated Units in proportion to the positive balances in their respective capital accounts and 2% to the General Partner, until the capital accounts of the holders of the Subordinated Units have been reduced to zero;

second, 98% to the holders of Common Units in proportion to the positive balances in their respective capital accounts and 2% to the General Partner, until the capital accounts of the Common Unitholders have been reduced to zero; and

thereafter, 100% to the General Partner.

If the liquidation occurs after the Subordination Period, the distinction between Common Units and Subordinated Units will disappear, so that all of paragraph first above will no longer be applicable.

In addition, interim adjustments to capital accounts will be made at the time the Company issues additional partnership interests in the Company or makes distributions of property. Such adjustments will be based on the fair market value of the partnership interests or the property distributed and any gain or loss resulting therefrom will be allocated to the Unitholders and the General Partner in the same manner as gain or loss is allocated upon liquidation. In the event that positive interim adjustments are made to the capital accounts, any subsequent negative adjustments to the capital accounts resulting from the issuance of additional partnership interests in the Company, distributions of property by the Company, or upon liquidation of the Company, will be allocated in a manner which results, to the extent possible, in the capital account balances of the General Partner equaling the amount which would have been the General Partner's capital account balances if no prior positive adjustments to the capital accounts had been made.

CASH AVAILABLE FOR DISTRIBUTION

Based on the amount of working capital that the Company is expected to have at the time it commences operations and the availability under its $120 million revolving credit facility, the Company believes that, if its assumptions about operating conditions are realized, the Company should have sufficient Available Cash from Operating Surplus to enable the Company to distribute the Minimum Quarterly Distribution on the Common Units and Subordinated Units to be outstanding immediately after the consummation of this offering, and the related distribution on the combined 2% interest of the General Partner, with respect to each of its quarters at least through the quarter ending June 30, 2001. The Company's belief is based on a number of assumptions, including assumptions that (i) total operating margins generated from the Company's existing assets will remain generally consistent with total margins recognized by the Company in 1997; (ii) the Company's identified new projects will become operational as scheduled and will result in anticipated levels of operating margins; (iii) the Company will not experience any significant accidents or business interruptions, regardless of whether such accidents or interruptions are covered by insurance; (iv) there will be no regulatory changes that materially adversely affect the Company's operations; and (v) market and overall economic conditions will not change substantially. Although the Company believes such assumptions are within a range of reasonableness, whether the assumptions are realized is not, in a number of cases, within the control of the Company and cannot be predicted with any degree of certainty. If the Company's assumptions are not realized, Available Cash from Operating Surplus generated by the Company could be substantially less than that currently expected and could, therefore, be insufficient to permit the Company to make cash distributions at the levels described above. See "Risk Factors--Risks Inherent in an Investment in the Company--The Company's Assumptions Concerning Future Operations May Not Be Realized." Accordingly, no assurance can be given that distributions of the Minimum Quarterly Distribution or any other amounts will be made. The Company does not intend to update the expression of belief set forth above. See "Cash Distribution Policy" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The amount of Available Cash from Operating Surplus needed to distribute the Minimum Quarterly Distribution for four quarters on the Common Units and Subordinated Units to be outstanding immediately after this offering and on the combined 2% interest of the General Partner is approximately $135.6 million ($90.4 million for the Common Units, $42.5 million for the Subordinated Units and $2.7 million for the combined 2% interest of the General Partner). If the Underwriters' over-allotment option is exercised in full, such amounts will be $95.0 million for the Common Units, $42.5 million for the Subordinated Units and $2.8 million for the combined 2% interest of the General Partner, or an aggregate of approximately $140.3 million. The amount of pro forma Available Cash from Operating Surplus generated during 1997 was approximately $128.2 million. Such amount would have been sufficient to cover the Minimum Quarterly Distribution for 1997 on all of the Common Units, but would have been insufficient by approximately $7.4 million to cover the Minimum Quarterly Distribution on all the Subordinated Units and the related distribution on the general partner interests. The amount of pro forma Available Cash from Operating Surplus for 1997 set forth above was derived from the pro forma and historical financial statements of the Company in the manner set forth in Appendix D. The pro forma adjustments are based upon currently available information and certain estimates and assumptions. The pro forma financial statements do not purport to present the results of operations of the Company had the Transactions actually been completed as of the dates indicated. Furthermore, Available Cash from Operating Surplus as defined in the Partnership Agreement is a cash accounting concept, while the Company's historical and pro forma financial statements have been prepared on an accrual basis. As a consequence, the amount of pro forma Available Cash from Operating Surplus shown above should only be viewed as a general indication of the amount of Available Cash from Operating Surplus that might in fact have been generated by the Company had it been formed in earlier periods. For definitions of Available Cash and Operating Surplus, see the Glossary.

SELECTED HISTORICAL AND PRO FORMA FINANCIAL AND OPERATING DATA

The following table sets forth for the periods and at the dates indicated, selected historical and pro forma financial and operating data for the Company. The selected historical data for each of the five years in the period ended December 31, 1997 are derived from the Company's audited financial statements included elsewhere in this Prospectus and should be read in conjunction therewith. The selected pro forma financial and operating data of the Company are derived from the unaudited pro forma consolidated financial statements included elsewhere in this Prospectus and should be read in conjunction therewith. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations." The dollar amounts in the table below, except per Unit data, are in thousands.

	YEAR ENDED DECEMBER 31,					PRO FORMA YEAR ENDED DECEMBER 31,
	1993	1994	1995	1996	1997	1997
INCOME STATEMENT DATA:						
Revenues	$551,054	$586,609	$790,080	$999,506	$1,020,281	$1,020,281
Operating costs and expenses	505,454	533,929	726,207	906,367	937,068	935,968
Operating margin:						
Fractionation(1)	9,496	13,595	11,547	11,640	11,058	12,158
Isomerization(1)	15,892	12,878	24,834	50,050	38,061	38,061
Propane/propylene fractionation	11,898	13,248	18,685	20,087	20,442	20,442
Pipelines	8,238	12,807	8,684	11,270	13,520	13,520
Other	76	152	123	92	132	132
Total operating margin	45,600	52,680	63,873	93,139	83,213	84,313
Selling, general and administrative expenses	21,771	17,977	22,822	24,345	23,235	12,000
Operating income	23,829	34,703	41,051	68,794	59,978	72,313
Interest expense	(21,297)	(21,790)	(24,349)	(21,290)	(23,743)	--
Interest income	1,809	2,477	554	2,705	1,934	5,230
Equity in income of unconsolidated affiliates:						
Mont Belvieu Associates(2)	3,095	7,257	6,167	6,004	6,377	6,377
Belvieu Environmental Fuels(3)	--	--	6,107	9,752	9,305	9,305
Gain (loss) on sale of assets	--	4,271	7,948	--	(155)	(155)
Other income (expense) net	38	45	305	364	793	793
Income before minority interest	7,474	26,963	37,783	66,329	54,489	93,863
Minority interest(4)	75	270	378	663	545	939
Net income	$ 7,399	$ 26,693	$ 37,405	$ 65,666	$ 53,944	$ 92,924
Net income per Unit(5)						$ 1.25
BALANCE SHEET DATA (AT PERIOD END):						
Working capital (deficit)(6)	$ 12,214	$(11,646)	$ (1,916)	$(17,098)	$ (25,039)	$ 46,504
Total assets	527,325	574,196	610,895	712,194	698,263	791,109
Long-term debt	259,455	250,556	223,139	246,088	260,541	--
Combined equity/Partner's equity	191,320	208,634	257,660	276,908	282,428	636,514
OTHER FINANCIAL DATA:						
EBITDA(7)	$ 46,586	$ 55,244	$ 64,807	$ 86,942	$ 79,689	$ 94,926
EBITDA of unconsolidated affiliates(8)	4,859	7,191	18,520	25,012	24,372	24,371

OPERATING DATA(9):

Fractionation(1)						
Production...........	145	176	173	183	209	209
Volume from tolling operations..........	89%	91%	94%	89%	86%	86%
Isomerization(1)						
Production...........	66	66	67	71	67	67
Volume from tolling operations..........	66%	68%	86%	84%	92%	92%
MTBE						
Production...........	--	8	10	12	14	14
Volume from tolling operations..........	--	--	--	--	--	--
Propylene Fractionation						
Production...........	16	14	16	17	26	26
Volume from tolling operations..........	36%	35%	35%	33%	51%	51%

See notes on following page.

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(1) Fractionation operating margin includes NGL fractionation and the processing fees associated with mixed butane fractionation. Isomerization operating margin includes the Company's isomerization operations and the profits from the sale of isobutane fractionated from mixed butane in the Company's deisobutanizer units.

(2) Consists of the Company's 49% interest in Mont Belvieu Associates, the general partnership that owns a 50% undivided interest in the NGL fractionation facilities operated by the Company at Mont Belvieu. The Company directly owns an additional 12.5% undivided interest in such NGL fractionation facilities, giving it an effective 37.0% interest in the facilities. The revenues and costs associated with this 12.5% interest are included in the Company's revenues and operating costs and expenses.

(3) Consists of the Company's 33 1/3% interest in BEF, a general partnership that owns the MTBE facility operated by the Company at Mont Belvieu.

(4) Reflects the General Partner's 1% minority interest in the Operating Partnership's net income.

(5) Net income per Unit is computed by dividing the limited partners' 99% interest in net income by the number of Units expected to be outstanding at the closing of this offering.

(6) Excludes short-term debt and current maturities of long-term debt.

(7) EBITDA is defined as net income plus depreciation and amortization and interest expense less equity in income of unconsolidated affiliates. EBITDA should not be considered as an alternative to net income, operating income, cash flow from operations or any other measure of financial performance presented in accordance with generally accepted accounting principles. EBITDA is not intended to represent cash flow and does not represent the measure of cash available for distribution, but provides additional information for evaluating the Company's ability to make the Minimum Quarterly Distribution.

(8) Represents the Company's pro rata share of net income, depreciation and amortization and interest expense of the unconsolidated affiliates.

(9) Production volumes represent average daily production in thousands of barrels per day. Production volume for fractionation includes gross production volumes for the NGL fractionation facilities in which the Company owns an effective 37.0% interest. Production volume for MTBE reflects gross production volumes for the BEF facility in which the Company owns an undivided 33 1/3% interest. MTBE production at the BEF facility began in 1994.

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

The following discussion of the historical financial condition and results of operations of the Company should be read in conjunction with the Company's historical and pro forma combined financial statements and the notes thereto included elsewhere in this Prospectus.

GENERAL

The Company is a leading integrated provider of processing and transportation services to producers of NGLs and consumers of NGL products. The Company (i) fractionates mixed NGLs produced as by-products of oil and natural gas production into their component products: ethane, propane, isobutane, normal butane and natural gasoline; (ii) converts normal butane to isobutane through the process of isomerization; (iii) produces MTBE from isobutane and methanol; and (iv) transports NGL products to end users by pipeline and railcar. The Company also separates high purity propylene from refinery-sourced propane/propylene mix and transports high purity propylene to plastics manufacturers by pipeline. Products processed by the Company generally are used as feedstocks in petrochemical manufacturing, in the production of motor gasoline and as fuel for residential and commercial heating.

The Company's processing operations are concentrated at Mont Belvieu, Texas. The facilities operated by the Company include (i) one of the largest NGL fractionation facilities in the United States with an average production capacity of 210,000 barrels per day; (ii) the largest butane isomerization complex in the United States with an average isobutane production capacity of 116,000 barrels per day; (iii) one of the largest MTBE production facilities in the United States with an average production capacity of 14,800 barrels per day; and (iv) two propylene fractionation units with an average combined production capacity of 30,000 barrels per day. The Company owns all of the assets at its Mont Belvieu facility except for the fractionation facility, in which it owns a 37.0% interest; one of the propylene fractionation units, in which it owns a 54.6% interest and leases the remaining interest; the MTBE plant, in which it owns a 33 1/3% interest; and one of its three isomerization units and one deisobutanizer tower which are held under long-term leases with purchase options. The Company owns and operates a network of approximately 500 miles of pipelines along the Gulf Coast, an import/export terminal, and a fractionation facility in Petal, Mississippi with a capacity of 7,000 barrels per day. As an integral part of providing processing and transportation services, the Company also owns and operates NGL storage wells with approximately 35 million barrels of capacity.

Fractionation

The Company has been involved in the business of fractionating mixed NGLs since 1970 and mixed butane since 1980. The Company has expanded throughput capacity over the years in response to increased demand for its processing services from the joint owners of its NGL fractionation facilities and other producers and strong import volumes, particularly from Africa, the Middle East, Mexico and Venezuela. The most recent capacity expansion was completed in November 1996 and increased capacity by 45,000 barrels per day to the current capacity of 210,000 barrels per day.

The profitability of this business unit depends on the volume of mixed NGLs that the Company processes for its toll customers, the level of toll processing fees and ancillary fees charged to these customers for other services such as storage and transportation. The Company's fractionation business unit also includes processing fees for fractionating mixed butane into normal butane and isobutane. As such, the level of fractionation activity is also impacted by the demand for isobutane.

The most significant variable cost of fractionation is the cost of energy required to operate the units and to heat the mixed NGLs to effect separation of the NGL products. The Company is able to reduce its energy costs by capturing excess heat and reusing it in its operations.

The Company's interest in the operations of its NGL fractionation facilities at Mont Belvieu consists of a 12.5% undivided interest and a 49.0% interest in Mont Belvieu Associates, which in turn owns a 50.0% undivided interest in such facilities. The Company's 12.5% interest is recorded as part of revenues and expenses and its effective 24.5% interest is recorded as an equity investment in an unconsolidated subsidiary.

Isomerization

The Company's butane isomerization complex is the largest in the United States and accounts for more than 70% of domestic commercial isobutane production capacity. The Company has operated this facility at approximately 60% capacity for the past several years.

The profitability of this business unit depends on the volume of normal butane that the Company isomerizes into isobutane for its toll processing customers, the level of toll processing fees and the margins generated from selling isobutane to merchant customers. The Company's toll processing customers pay the Company a fee for isomerizing their normal butane into isobutane. In addition, the Company sells isobutane which it obtains by isomerizing normal butane into isobutane, fractionating mixed butane into isobutane and normal butane or purchasing isobutane in the spot market. The Company determines the optimal source for isobutane to meet sales obligations based on current and expected market prices for isobutane and normal butane, volumes of mixed butane held in inventory and estimated costs of isomerization and mixed butane fractionation.

The Company purchases most of its imported mixed butane between the months of February and October. During these months, the Company is able to purchase imported mixed butanes at prices that are often at a discount to posted market prices. Because of its storage capacity, the Company is able to store these imports until the summer months when the spread between isobutane and normal butane typically widens or until winter months when the prices of isobutane and normal butane typically rise.

Propylene Fractionation

The Company began its propylene fractionation operations in 1978 with a single unit. In response to the strengthening U.S. and global economies in the early 1990s, and the corresponding increase in demand for plastics, the Company added a second propylene fractionation unit in 1997 which approximately doubled its propylene fractionation capacity. The Company's facilities currently operate near full capacity.

The profitability of this business unit depends on the volumes of refinery-sourced propane/propylene mix that the Company processes for its toll customers, the level of toll processing fees and the margins associated with buying refinery-sourced propane/propylene mix and selling high purity propylene to meet sales contracts with non-tolling customers.

The difference between feedstock costs and sales prices typically changes in periods of rising or falling high purity propylene prices. When the price of high purity propylene falls, generally as a result of reduced demand from the petrochemical industry, prices of refinery-sourced propane/propylene mix typically adjust accordingly. However, the Company's average inventory costs for propane/propylene mix generally decline at a slower rate than market prices because the Company carries inventories of propane/propylene mix and uses an average cost method of accounting for its feedstock inventory thereby reducing the Company's propylene fractionation margins. In times of rising high purity propylene prices, the opposite effect occurs as the Company's costs increase at a slower rate than the market price for feedstock thereby enhancing the Company's propylene fractionation margins.

Pipelines

The Company operates both interstate and intrastate NGL product and propylene pipelines. The Company's interstate pipelines are common carriers and must provide service to any shipper who requests transportation services at rates regulated by the Federal Energy Regulatory Commission ("FERC"). One of the Company's intrastate pipelines is a common carrier regulated by the State of Louisiana. The profitability of this business unit is primarily dependent on pipeline throughput volumes.

Belvieu Environmental Fuels

The Company owns a 33 1/3% interest in BEF, which owns the MTBE production facility that is operated by the Company and located at its Mont Belvieu complex. The Company's interest in BEF is accounted for using the equity method. Sun and Mitchell Energy each own a 33 1/3% interest in BEF, and Sun has entered into a contract with BEF under which Sun is required to take all of BEF's production of MTBE through May 2005. Under the terms of its agreement with BEF, through May 2000, Sun will pay the higher of a floor price (approximately $1.04 per gallon at December 31, 1997) or a market-based price for the first 193.5 million gallons per contract year of production (equivalent to approximately 12,600 barrels per day) from the BEF facility. Sun will pay a market-based price for volumes produced in excess of 193.5 million gallons per contract year. Since the contract year begins on June 1, if the facility produces at full capacity during the year it will reach 193.5 million gallons of production near the end of March, and sales thereafter through the end of May will be at market-based prices. Generally, the price charged by BEF to Sun for the MTBE has been above the spot market price for MTBE. During 1997, the average Gulf Coast spot market price for MTBE was $0.83 per gallon.

Beginning in June 2000, Sun will continue to be obligated to purchase all of the production from the BEF facility but pricing on all volumes will be switched to market-based rates. The price of MTBE is affected by the demand for MTBE as an oxygenation additive for gasoline and the cost of its principal feedstocks (isobutane and methanol). If the floor price is higher than the market price in June 2000 and thereafter, the Company's equity income in BEF could be substantially reduced. See "Risk Factors--Risks Inherent in the Company's Business--The Profitability of the Company's Operations Will Depend Upon the Demand for the Company's Products--MTBE."

The Company will use a portion of the proceeds of this offering to purchase a participation interest in BEF's bank indebtedness of approximately $26.1 million. Pursuant to this participation interest, the Company will receive quarterly principal payments of approximately $3.3 million plus interest. BEF's indebtedness bears interest at a floating rate per annum of LIBOR plus 0.875% and matures on May 31, 2000.

Mont Belvieu Associates

The Company will use a portion of the proceeds of this offering to purchase a participation interest in the bank indebtedness of Mont Belvieu Associates of approximately $7.5 million. Pursuant to this participation interest, the Company will receive annual principal payments of approximately $1.7 million plus interest. Principal and interest will be payable monthly. The Mont Belvieu Associates bank debt bears interest at a floating rate per annum of LIBOR plus 0.75% and matures in full on December 31, 2001.

Selling, General and Administrative Expenses

In connection with the Transactions, the Company, the General Partner and EPCO will enter into the EPCO Agreement pursuant to which EPCO will provide all of the Company's selling, general and administrative services. Pursuant to the EPCO Agreement, EPCO will be reimbursed at cost for all expenses that it incurs in connection with managing the business and affairs of the Company, except that EPCO will not be entitled to be reimbursed for any selling, general and administrative expenses. In lieu of reimbursement for such selling, general and administrative expenses, EPCO will be entitled to receive an administrative services fee that will initially equal $12.0 million. The General Partner, with the approval and consent of the Audit and Conflicts Committee, will have the right to agree to increases in such administrative services fee of up to 10% each year during the 10-year terms of the EPCO Agreement and may agree to further increases in such fee in connection with expansions of the Company's operations through the construction of new facilities or the completion of acquisitions that require additional management personnel. As a result of the EPCO Agreement, amounts incurred historically for selling, general and administrative expenses are not representative of amounts that will be incurred by the Company in the future. See "The Transactions--EPCO Agreement."

Operating Leases

Pursuant to the Retained Leases, EPCO leases one of its isomerization units, one deisobutanizer, two cogeneration units and 100 railcars. The Company will sublease these assets and have an option to purchase them upon the expiration of the lease terms. EPCO has agreed to lease these assets to the Company for $1 per year in the aggregate for the remainder of the terms under the Retained Leases. During 1997, EPCO incurred approximately $13.3 million of expenses relating to the Retained Leases. As a result of the subleases, the Company's cash payments relating to the leased facilities and equipment will be eliminated; however, since the Retained Leases will be held by an affiliate, the full amount of the associated lease expenses to be paid by EPCO will be recorded as an expense on the Company's financial statements.

RESULTS OF OPERATIONS

The Company's operating margins by business unit over the past three years were as follows:

	1995	1996	1997
	(IN THOUSANDS)		
Operating Margin:			
Fractionation(1)	$11,547	$11,640	$11,058
Isomerization(1)	24,834	50,050	38,061
Propylene Fractionation	18,685	20,087	20,442
Pipeline	8,684	11,270	13,520
Other	123	92	132
Total	$63,873	$93,139	$83,213

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(1) Fractionation operating margin includes NGL fractionation and the processing fees associated with mixed butane fractionation. Isomerization operating margin includes the Company's isomerization operations and the profits from the sale of isobutane fractionated from mixed butane in the Company's deisobutanizer units.

YEAR ENDED DECEMBER 31, 1997 COMPARED TO YEAR ENDED DECEMBER 31, 1996

Revenues; Costs and Expenses

The Company's revenues increased by 2.1% to $1,020.3 million in 1997 compared to $999.5 million in 1996. The Company's costs and operating expenses increased by 3.4% to $937.1 million in 1997 compared to $906.4 million in 1996. Operating margin decreased by 10.6% to $83.2 million in 1997 from $93.1 million in 1996.

Fractionation. The Company's operating margin for fractionation decreased by 4.3% to $11.1 million in 1997 from $11.6 million in 1996. The decrease was due primarily to lower utilization of the deisobutanizer units as a result of lower import volumes of mixed butanes and the phase-in of a 45,000 barrel per day expansion in the capacity of the NGL fractionation facilities at Mont Belvieu. These decreases were partially offset by increased NGL fractionation volumes in the second half of 1997 as a result of the expansion, principally from the joint owners of the NGL fractionation facility, and increases in fractionation fees as a result of higher natural gas and electricity costs that resulted in contractual escalations in pricing formulas.

Isomerization. The Company's operating margin for isomerization decreased by 24.0% to $38.1 million in 1997 from $50.1 million in 1996. Isomerization processing margins decreased partly due to the loss of a processing contract from a significant customer. The Company's margins were more negatively impacted, however, by decreases in marketing margins which declined as a result of lower isobutane prices and a lower average spread between isobutane and normal butane prices. Overall, the Company's isomerization production volumes decreased by 5.8% from year to year.

Propylene Fractionation. The Company's operating margin for propylene fractionation increased by 1.5% to $20.4 million in 1997 from $20.1 million in 1996. Propylene fractionation operating margins were positively

affected by a 60.4% increase in volumes due to the start up of a newly-constructed propylene fractionation unit in April 1997. This increase in volume was largely offset by price decreases for high purity propylene in the fourth quarter of 1997 compared to price increases for high purity propylene in late 1996. As described above, the Company uses an average cost method of accounting for its refinery-sourced propane/propylene mix feedstock costs. Accordingly, the Company's feedstock costs generally increase or decrease at a slower rate than high purity propylene market prices.

Pipeline. The Company's operating margin for its pipeline operations increased by 19.5% to $13.5 million in 1997 from $11.3 million in 1996, reflecting an 11.5% increase in throughput volumes.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by $1.1 million to $23.2 million in 1997 from $24.3 million in 1996. This decrease was primarily due to the recognition of compensation expense in 1996 related to employee stock appreciation rights ("SAR"). SAR expense declined to $1.1 million in 1997 compared to $2.1 million in 1996.

Interest Expense

Interest expense was $23.7 million in 1997 and $21.3 million in 1996. The $2.4 million increase was due to an increase in the average debt outstanding to $277.6 million in 1997 from $229.7 million in 1996 which was partially offset by a decrease in the weighted average interest rate to 9.24% in 1997 from 9.57% in 1996. The decrease in the weighted average interest rate for 1997 was due to a decrease of $25.4 million in the amount of fixed rate debt outstanding, which is generally at higher interest rates.

Equity Income of Unconsolidated Affiliates

Equity income of unconsolidated affiliates includes amounts from BEF and Mont Belvieu Associates. Earnings attributable to BEF were $9.3 million in 1997 and $9.8 million in 1996. Earnings attributable to Mont Belvieu Associates were $6.4 million in 1997 and $6.0 million in 1996.

YEAR ENDED DECEMBER 31, 1996 COMPARED TO YEAR ENDED DECEMBER 31, 1995

Revenues; Costs and Expenses

The Company's revenues increased by 26.5% to $999.5 million in 1996 compared to $790.1 million in 1995. The Company's costs and operating expenses increased by 24.8% to $906.4 million in 1996 from $726.2 million in 1995. Operating margin increased by 45.7% to $93.1 million in 1996 from $63.9 million in 1995.

Fractionation. The Company's operating margin for fractionation was $11.6 million in both 1996 and 1995. Volumes increased from year to year reflecting the 45,000 barrel per day capacity expansion at the Mont Belvieu fractionation facility in the fourth quarter of 1996, increased throughput from certain joint owners of the fractionation facility and increased imports of mixed butanes. These increases in volumes were offset by increased depreciation and operating expenses as a result of the expansion.

Isomerization. The Company's operating margin for isomerization increased by 102.0% to $50.1 million in 1996 from $24.8 million in 1995. Isomerization volumes increased by 6% from year to year. Isomerization toll processing margins were relatively consistent from year to year. Margins on sales of isobutane processed by the Company increased, reflecting an increase in the average spread between normal butane and isobutane from year to year. Isomerization marketing margins increased significantly as a result of greater annual increases in market prices for isobutane in 1996 than in 1995.

Propylene Fractionation. The Company's operating margin for propylene fractionation increased by 7.5% to $20.1 million in 1996 from $18.7 million in 1995. The increase in operating margins reflected a 1.5% increase in volumes from year to year and rising high purity propylene prices in late 1996.

Pipeline. The Company's operating margin for its pipeline operations increased by 30% to $11.3 million in 1996 from $8.7 million in 1995. The increase was primarily due to a 27.2% increase in throughput volumes.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by $1.5 million to $24.3 million in 1996 from $22.8 million in 1995. This increase was primarily due to higher bonuses paid to key personnel in 1996 as a result of improvements in operating performance.

Interest Expense

Interest expense was $21.2 million for 1996 and $24.3 million in 1995. The $3.1 million decrease was due to a decrease in the weighted average interest rate to 9.57% in 1996 from 10.17% in 1995 and a decrease in the average debt outstanding to $229.7 million in 1996 from $237.9 million in 1995. The decrease in the weighted average interest rate for 1996 is due to a decrease in the fixed rate debt outstanding, which is generally at higher interest rates.

Equity income of unconsolidated affiliates

Equity income of unconsolidated affiliates was $15.8 million in 1996 as compared to $12.3 million in 1995. Earnings attributable to BEF were $9.8 million in 1996 compared to $6.1 million in 1995, reflecting a full year of operations at the MTBE facility in 1996. Earnings attributable to Mont Belvieu Associates were $6.0 million in 1996 and $6.2 million in 1995.

Gain on Sale of Assets and Other

Results for 1995 include a $7.9 million gain from the sale of a 12.5% interest in the Promix fractionation facility.

LIQUIDITY AND CAPITAL RESOURCES

General

At December 31, 1997, the Company had negative working capital of $64.5 million. On a pro forma basis taking into account the Transactions, the Company had positive working capital of $46.6 million at the same date, reflecting the retention of approximately $46.5 million in cash from the proceeds of this offering to fund new projects and the repayment of current maturities of long-term debt with the proceeds of this offering.

Cash flows from operating activities were $15.7 million in 1995, $95.2 million in 1996 and $60.1 million in 1997. Cash flows from operating activities are affected primarily by net income, depreciation and amortization, equity income of unconsolidated affiliates and changes in working capital. Depreciation and amortization increased by $1.9 million in 1997 as a result of capital expenditures in 1996 and 1997 and remained consistent between 1995 and 1996. The net effect of changes in operating accounts from year to year is generally the result of timing of NGL sales and purchases near the end of the year. The cumulative increase in working capital over the three years ended December 31, 1997 was $15.2 million and is due to the general increase in operations over that period.

Cash flows from financing activities were a $28.5 million outflow in 1995, a $24.1 million inflow in 1996 and a $13.3 million inflow in 1997. Cash flows from financing activities are affected primarily from net borrowings of long-term debt, which were generally used to finance capital expenditures. Traditionally, such expenditures have been financed from proceeds of term loans with insurance companies and banks. The term loans with the insurance companies were generally at fixed interest rates, and the term loans with the banks were usually at variable interest rates. The bank term notes were generally collateralized by the property being

constructed. At December 31, 1997, property with an aggregate cost of $107 million was used as collateral for the various term loans from banks.

Cash outflows from investing activities were $9.2 million in 1995, $57.7 million in 1996 and $31.0 million in 1997. Cash outflows were primarily capital expenditures, which aggregated $22.3 million in 1995, $61.0 million in 1996 and $33.6 million in 1997. Most of the capital expenditures were for new facilities and improvements to processing and transportation systems. Capital expenditures also include maintenance capital expenditures required to maintain the Company's facilities at peak operating levels of approximately $4.6 million in 1995, $3.4 million in 1996 and $3.6 million in 1997. These maintenance capital expenditures are in addition to normal annual repairs and maintenance which are recorded as operating expenses and were approximately $12.9 million in 1995, $16.2 million in 1996 and $18.6 million in 1997.

Distributions to the Company from Mont Belvieu Associates were $5.0 million in 1995, $7.2 million in 1996 and $7.3 million in 1997. Other investments in or advances to or from the unconsolidated affiliates for each of the years was not significant to the overall cash flows of the Company. The Company does not expect any significant cash investments in or advances to the unconsolidated affiliates in 1998.

Future Capital Expenditures

The Company currently estimates that its capital expenditures for 1998 will be approximately $56.0 million including amounts deemed to be capital expenditures to maintain its facilities at peak operating levels. The major portion of the capital expenditures will be for construction of new projects in Louisiana. The Company expects to finance these expenditures out of operating cash flows, the proceeds of this offering and borrowings under its bank credit facility. The Company estimates that its maintenance capital expenditures will average approximately $5.0 million over each of the next three years. In addition, the Company estimates that it will expense approximately $17.1 million for repairs and maintenance in 1998. The Company expects to finance maintenance capital expenditures and other repair and maintenance out of operating cash flows.

Bank Credit Facility

In connection with the offering, the Company expects to enter into a new bank credit facility which will provide for borrowings of up to $120 million, including up to $20 million of letters of credit, and will have a five-year maturity.

Retained Leases

EPCO will assign the Company its rights to purchase the facilities and equipment covered by the Retained Leases. The following table summarizes the dates on which these purchase options become exercisable and the estimated purchase prices under the Retained Leases. Certain of the purchase prices are based on future market values of the leased equipment, in which case the price indicated is based on the Company's estimates:

FACILITY/EQUIPMENT	PURCHASE OPTION DATE	ESTIMATED PURCHASE PRICE (IN MILLIONS)
Isom II unit	2004	$23.1
Deisobutanizer	2004	2.8
Cogeneration unit	2001	1.8
Cogeneration unit	2008	3.5
Railcars	2016	3.1
Total		$34.3

YEAR 2000 ISSUES

The year 2000 issues are related to data processing programs that have date-sensitive information and that use two digits (rather than four) to define the applicable year. Any program and hardware that have time-sensitive coding may recognize a date using "00" as the year 1900 rather than the year 2000. This error could result in miscalculations or system failure.

Management believes that it has identified all significant areas in which year 2000 issues may arise within its data processing and other systems and has developed a comprehensive plan to test these areas and address such issues. Management expects that most of the coding corrections for the year 2000 problems will be completed during 1998 and that most of the critical systems will be corrected by January 1, 1999. Although management is reasonably satisfied that it will be able to resolve its internal year 2000 issues, it cannot be assured that its customers and vendors will adequately address their year 2000 issues. Management is currently assessing what impact year 2000 issues might have on its significant customers and vendors. Total costs to correct year 2000 issues are not expected to be significant.

If the Company, its customers or vendors are unable to resolve such processing issues, it could result in a material financial risk. Accordingly, management will continue to devote the necessary resources to resolve all significant year 2000 issues in a timely manner.

ACCOUNTING STANDARDS

Recent Statements of Financial Accounting Standards ("SFAS") (effective for fiscal years beginning after December 15, 1997) include the following: SFAS 130, Reporting of Comprehensive Income, SFAS 131, Disclosure about Segments of an Enterprise and Related Information, and SFAS 132, Employers' Disclosure about Pensions and Other Postretirement Benefits. Management is currently studying these SFAS items for possible impact on the combined financial statements; however, based upon its preliminary assessment of the SFAS, management believes that they will not have a significant impact on the Company's financial statements. On April 3, 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-5, Reporting on the Costs of Start-Up Activities ("SOP 98-5"). For years beginning after December 15, 1998, SOP 98-5 generally requires that all start-up costs of a business activity be charged to expense as incurred and any start-up cost previously deferred should be written-off as a cumulative effect of a change in accounting principle. Management is currently studying SOP 98-5 for its possible impact on the combined financial statements. Based upon its preliminary assessment of SOP 98-5, management believes that SOP 98-5 will not have a material impact on the combined financial statements except for a $4.5 million non-cash write off at January 1, 1999 of the unamortized balance of deferred start-up costs of BEF, an unconsolidated affiliate, in which the Company owns a 33 1/3% interest. Such a write-off would cause a $1.5 million reduction in the equity in income of unconsolidated affiliates for 1999 and a corresponding reduction in the Company's investment in unconsolidated affiliates.

QUANTITATIVE AND QUALITATIVE MARKET RISK DISCLOSURES

The Company is exposed to certain market risks which are inherent in financial instruments it issues in the normal course of business. The Company may, but generally does not, enter into derivative financial instrument transactions in order to manage or reduce market risk. The Company does not enter into derivative financial instruments for speculative purposes. At December 31, 1997, the Company had no derivative instruments in place to cover any potential interest rate, foreign currency or other financial instrument risk.

The Company will acquire loan participations with floating interest rates. The Company initially will have no debt outstanding and future debt will be limited to borrowings under its revolving credit agreement, which are expected to bear interest at a floating rate.

BUSINESS AND PROPERTIES

GENERAL

The Company is a leading integrated provider of processing and transportation services to producers of NGLs and consumers of NGL products. The Company (i) fractionates for a processing fee mixed NGLs produced as by-products of oil and natural gas production into their component products: ethane, propane, isobutane, normal butane and natural gasoline; (ii) converts normal butane to isobutane through the process of isomerization; (iii) produces MTBE from isobutane and methanol; and (iv) transports NGL products to end users by pipeline and railcar. The Company also separates high purity propylene from refinery-sourced propane/propylene mix and transports high purity propylene to plastics manufacturers by pipeline. Products processed by the Company generally are used as feedstocks in petrochemical manufacturing, in the production of motor gasoline and as fuel for residential and commercial heating. In 1997, on a pro forma basis, the Company had revenues, combined EBITDA and EBITDA in unconsolidated affiliates and net income of $1.0 billion, $119.3 million and $92.9 million, respectively.

The Company's processing operations are concentrated in Mont Belvieu, Texas, which is the hub of the domestic NGL industry and is adjacent to the largest concentration of refineries and petrochemical plants in the United States. The facilities operated by the Company at Mont Belvieu include: (i) one of the largest NGL fractionation facilities in the United States with an average production capacity of 210,000 barrels per day; (ii) the largest butane isomerization complex in the United States with an average isobutane production capacity of 116,000 barrels per day; (iii) one of the largest MTBE production facilities in the United States with an average production capacity of 14,800 barrels per day; and (iv) two propylene fractionation units with an average combined production capacity of 30,000 barrels per day. The Company owns all of the assets at its Mont Belvieu facility except for the NGL fractionation facility, in which it owns an effective 37.0% interest; one of the propylene fractionation units, in which it owns a 54.6% interest and controls the remaining interest through a long-term lease; the MTBE plant, in which it owns a 33 1/3% interest; and one of its three isomerization units and one deisobutanizer which are held under long-term leases with purchase options. The Company also owns and operates approximately 35 million barrels of storage capacity at Mont Belvieu and elsewhere that are an integral part of its processing operations, a network of approximately 500 miles of pipelines along the Gulf Coast, one of only two NGL import/export terminals on the Gulf Coast, and an NGL fractionation facility in Petal, Mississippi with an average production capacity of 7,000 barrels per day.

The Company's operating margins are derived from services provided to tolling customers and from merchant activities. Over the past five years, volumes from toll processing operations and merchant activities accounted for an average of approximately 77% and 23% of the Company's total sales volumes, respectively. In its toll processing operations, the Company does not take title to the product and is simply paid a fee based on volumes processed. The Company's profitability from toll processing operations depends primarily on the volumes of NGLs and refinery-sourced propane/propylene mix processed and transported and the level of associated fees charged to its customers. The profitability of the Company's toll processing operations is largely unaffected by short-term fluctuations in the prices for oil, natural gas or NGLs. In its merchant activities, the Company takes title to feedstock products and sells processed end products. The Company's profitability from merchant activities is dependent on the prices of its feedstocks and end products, which typically vary on a seasonal basis. In its merchant activities, the Company generally seeks to minimize commodity price exposure by matching the timing and price of its feedstock purchases with sales of end products.

The Company has expanded rapidly since its inception in 1968, primarily through internal growth and the formation of joint ventures. During the five years ended December 31, 1997, the Company's EBITDA and its EBITDA in unconsolidated affiliates increased on a combined basis at a compound annual rate of 19.7%. This growth reflects the increased demand for NGL processing due to increased domestic natural gas production and crude oil refining and increased demand for processed NGLs in the petrochemical industry. Over the last four years the Company has increased its NGL fractionation capacity by approximately 27%, built a third isomerization unit that increased its isobutane production capacity by approximately 60%, increased

deisobutanizer capacity by approximately 54%, constructed a second propylene fractionation unit which approximately doubled production capacity and made its investment in the MTBE facility at Mont Belvieu. The Company believes that the demand for its services will continue to increase, principally as a result of expected increases in natural gas production, particularly in the Gulf of Mexico, and generally increasing domestic and worldwide petrochemical production. Accordingly, the Company has initiated several new projects, including three that are currently in construction.

COMPETITIVE STRENGTHS

The Company believes that it is well positioned to compete in the NGL processing industry and that its most significant competitive strengths are:

- Strategic Location. The Company's operations are strategically located on the Gulf Coast, the most significant marketplace for domestic and imported NGLs due to the availability of processing, storage and import facilities, pipeline distribution systems and petrochemical and refinery end-product demand. The Company can access domestic NGL supplies from the Gulf of Mexico, East Texas/Louisiana, Mid-Continent, West Texas/New Mexico and Rocky Mountain regions and can also access imported supplies via its import/export facility on the Houston ship channel. The Company supplies NGL products, MTBE and high purity propylene to consumers located principally in the Gulf Coast, the region with the largest concentration of petrochemical plants and refineries in the United States. In 1997 Texas and Louisiana accounted for the production of approximately 55% of domestic NGLs and the consumption of approximately 80% of NGL products.

- Significant Market Position. The Company is a leading participant in each of its processing businesses. The Company's Mont Belvieu NGL fractionation facilities account for approximately 37% of the NGL fractionation capacity at Mont Belvieu and approximately 18% of total domestic commercial NGL fractionation capacity (excluding capacity at captive facilities of producers who fractionate their own NGL production primarily for their internal use). The Company's butane isomerization units account for more than 70% of the commercial isobutane production capacity in the United States, and the Company's propylene fractionation units represent approximately 23% of domestic commercial production capacity for high purity propylene.

- Large-Scale Integrated Operations. The Company believes that its operating costs are significantly lower than those of its competitors because of the efficiencies and integrated design of its Mont Belvieu facilities. The Company engineered its facilities to incorporate efficient gas turbines, a proprietary heat pump design and cogeneration technology to reduce energy costs, which are the largest component of operating costs in NGL processing. Because of its integrated operations, the Company also is able to profitably use by-products such as propane/propylene mix, mixed butanes, hydrogen and natural gasoline in its own plants and distribution systems, resulting in fuel and feedstock cost reductions and additional sales revenue. Additionally, the Company's infrastructure, available land and storage assets at Mont Belvieu provide it with a platform for cost-effective expansion.

- Strategic Relationships with Major Oil, Natural Gas and Petrochemical Companies. The Company benefits from established long-term relationships with many of its suppliers and customers, who include Amoco, ARCO, Burlington Resources, Enron, Exxon, Koch Industries, Mitchell, Mobil, Montell, Shell, Sun, Texaco, Union Pacific Resources and Williams. The Company believes that many of its suppliers and customers prefer to conduct business with an independent operator, such as the Company, that generally does not compete with their petrochemical and refining operations. Additionally, the Company's Mont Belvieu NGL fractionation and MTBE production assets are jointly owned with certain of its suppliers and customers. The owners of these facilities have agreed to fractionate all or a substantial portion of the NGLs which they deliver to the Mont Belvieu area through the fractionation units operated by the Company. Similarly, Sun, one of the Company's joint venture partners in its MTBE production facility, has contracted to purchase all of the MTBE produced by the facility through May 2005, and each of the joint venture partners has agreed to supply an equal share of the MTBE production facility's isobutane feedstock requirements. Sun and Mitchell, the other MTBE joint venture partner, also have contracts with the Company pursuant to which they have agreed to deliver normal butane to the Company's isomerization facilities for processing in order to satisfy their obligations to supply isobutane to the MTBE production facility.

- Experienced Operator. The Company has historically operated substantially all of its processing and transportation assets. As one of the leading integrated providers of NGL-related services, the Company has established a reputation in the industry as a reliable and cost-effective operator. By virtue of its successful operating record and substantial infrastructure, the Company believes it is well positioned to continue to operate as a large-scale processor of NGLs and other products for its customers.

- Significant Financial Flexibility. Immediately following this offering, the Company will have no indebtedness and an undrawn $120 million revolving credit facility. The Company will also have the ability to issue new Units, which, combined with its substantial borrowing capacity, should give the Company the resources to finance strategic opportunities as they arise. Such opportunities may include new projects, joint ventures or acquisitions.

- Experienced Management Team. The Company's senior management team averages more than 30 years of industry experience and more than 18 years with the Company.

BUSINESS STRATEGY

The Company's business strategy is to manage its operations in a manner that will enable it to pay the Minimum Quarterly Distribution on all the Units and to increase the per Unit value of the Company's assets and cash flow. The Company intends to pursue this strategy principally by:

- Capitalizing on Expected Increases in NGL Production. The Company believes that production of both oil and natural gas in the Gulf of Mexico will continue to increase over the next several years. The Company intends to capitalize on its existing infrastructure, market position, strategic relationships and financial flexibility to expand its operations to meet the anticipated increased demand for NGL processing services. Of particular significance will be production associated with the development of natural gas fields in Mobile Bay and the Gulf of Mexico offshore Louisiana, which are expected to produce natural gas with significantly higher NGL content than typical domestic production. The Company believes that the Gulf Coast is the only major marketplace that has sufficient storage facilities, pipeline distribution systems and petrochemical and refining demand to absorb this new NGL production.

- Expanding through Construction of Identified New Facilities. The Company has entered into a letter of intent to participate in a joint venture to own a new 60,000 barrel per day NGL fractionation facility (expandable to 100,000 barrels per day) near Baton Rouge, Louisiana that will be constructed and operated by the Company and will service NGL production from the Mobile Bay/Pascagoula and Louisiana areas. As part of this project, the Company has also entered into letters of intent to participate in the Tri-States and Wilprise NGL pipeline systems, which will transport NGLs from Mobile Bay to near Baton Rouge. The Company has also entered into a letter of intent to participate in a joint venture to own an NGL product refrigeration unit (a "chiller") that will be constructed and operated by the

Company at its NGL import/export facility. This chiller will improve the Company's ability to load refrigerated butane and propane onto tankers for export markets.

The Company's participation in these new projects is described in the following table:

PROJECT	STATUS	PLANNED START-UP DATE	ESTIMATED COST TO THE COMPANY (IN MILLIONS)	COMPANY'S OWNERSHIP PERCENTAGE
Baton Rouge Fractionator...........	In construction	First Quarter 1999	$20.0	26.5%
Tri-States Pipeline.....	In construction	First Quarter 1999	10.0	16.7%
Wilprise Pipeline.......	In construction	Fourth Quarter 1998	8.0	33.3%
NGL Product Chiller.....	In negotiation	Third Quarter 1999	8.5	50.0%

- Investing with Strategic Partners. The Company believes that strategic partnerships with significant oil and natural gas producers and petrochemical companies play an essential role in establishing the viability of significant new investments, and the Company will continue to seek opportunities to expand its businesses, through joint ventures or long-term contracts, to meet the growing demand for its services. For example, the Company will be partners with Amoco, Exxon and Williams on the Baton Rouge fractionation facility; with Amoco, Duke, Koch Industries, Tejas (a Shell subsidiary) and Williams on the Tri-States Pipeline; and with Amoco and Williams on the Wilprise Pipeline.

- Minimizing Commodity Price Exposure. A substantial portion of the Company's operations are conducted pursuant to tolling contracts or involve NGL transportation where the Company does not take title to its customer's products, but rather processes or transports a raw feedstock for a fee. Accordingly, the Company's profitability and cash flow are influenced primarily by the volume of products processed or transported through its system and by the fee or tariff for the services it performs. When the Company does take title to the products it processes, primarily to satisfy requirements under sales contracts with customers, it generally attempts to match the timing and price of its feedstock purchases with those of the sales of end products so as to minimize exposure to fluctuations in commodity prices.

NGL FRACTIONATION

General

The three principal sources of NGLs fractionated in the United States are (i) domestic gas processing plants, (ii) domestic crude oil refineries and (iii) imports of butane and propane mixtures. When produced at the wellhead, natural gas consists of a mixture of hydrocarbons that must be processed to remove NGLs and other impurities. Gas processing plants are located near the production area and separate pipeline quality natural gas (principally methane) from NGLs and other materials. After being extracted in the field, mixed NGLs, sometimes referred to as "y-grade" or "raw make," are typically transported to a centralized facility for fractionation. Crude oil and condensate production also contain varying amounts of NGLs, which are removed during the refining process and are either fractionated by refiners or delivered to NGL fractionation facilities. In 1997, NGLs produced from domestic gas processing operations accounted for approximately 68% of the NGLs processed in the United States, compared with 25% from crude oil refining and 7% from imports.

The following table summarizes the total supply of NGLs for fractionation in the United States over the past ten years:

MIXED NGL SUPPLY

(MILLIONS OF BARRELS)

	DOMESTIC					PERCENT OF TOTAL	
	GAS PLANTS	REFINERIES	TOTAL	IMPORTS	TOTAL	DOMESTIC	IMPORTS
1988..........	594.7	181.2	775.9	80.8	856.7	90.6%	9.4%
1989..........	564.1	203.0	767.1	51.1	818.2	93.8%	6.2%
1990..........	569.0	182.2	751.2	71.8	823.0	91.3%	8.7%
1991..........	605.8	198.6	804.4	62.0	866.3	92.8%	7.2%
1992..........	621.0	222.1	843.1	57.1	900.2	93.7%	6.3%
1993..........	630.6	212.6	843.2	67.2	910.4	92.6%	7.4%
1994..........	631.4	222.6	854.0	80.1	934.1	91.4%	8.6%
1995..........	643.2	238.8	882.0	70.2	952.2	92.6%	7.4%
1996..........	670.1	241.4	911.5	77.6	989.1	92.2%	7.8%
1997..........	672.0	252.0	924.0	68.3	992.3	93.1%	6.9%

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Source: Gas Processors Association

The mixed NGLs delivered from gas plants to centralized fractionation facilities like those operated by the Company at Mont Belvieu are typically transported by NGL pipelines. The following table lists the primary NGL pipelines which connect to the Company's fractionation facilities and the other sources of mixed NGL supply:

SOURCE	PARTIES SERVED	AREA OF ORIGINATION
Black Lake Pipeline....................	Enterprise/Warren	North Louisiana Central Louisiana East Texas
Chaparral Pipeline.....................	Common Carrier	West Texas North Texas
Dean Pipeline..........................	Enterprise*	South Texas
Enterprise Import/Export Facility......	Enterprise*	Foreign imports
Enterprise Rail/Truck Terminal.........	Common Carrier	Louisiana/Texas
Houston Ship Channel Pipeline..........	Enterprise*	Foreign Imports Local Refineries
Panola Pipeline........................	Enterprise*	East Texas
Seminole Pipeline......................	Common Carrier	Rocky Mountains Mid-Continent West Texas
West Texas LPG Pipeline................	Common Carrier	West Texas North Texas East Texas

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* NGLs from these sources are delivered exclusively to the Company's Mont Belvieu fractionation facilities.

NGL fractionation facilities separate mixed NGL streams into discrete NGL products: ethane, propane, isobutane, normal butane and natural gasoline. 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. Propane is used both as a petrochemical feedstock in the production of ethylene and propylene and as a heating fuel, an engine fuel and an industrial fuel. Isobutane is fractionated from mixed butane (a stream of normal butane and isobutane in solution) or refined from normal butane through the process of isomerization, principally for use in refinery alkylation to enhance the octane content of motor gasoline and in the production of MTBE, an

oxygenation additive in cleaner burning motor gasoline. Normal butane is used as a petrochemical feedstock in the production of ethylene and butadiene (a key ingredient in synthetic rubber), as a blendstock for motor gasoline and to derive isobutane through isomerization. Natural gasoline, a mixture of pentanes and heavier hydrocarbons, is used primarily as motor gasoline blend stock or petrochemical feedstock.

The NGL Fractionation Process

NGLs are fractionated by heating mixed NGL streams and passing them through a series of distillation towers. Fractionation takes advantage of the differing boiling points of the various NGL products. As the temperature of the NGL stream is increased, the lightest (lowest boiling point) NGL product boils off to the top of the tower where it is condensed and routed to storage. The mixture from the bottom of the first tower is then moved into the next tower where the process is repeated, and a different NGL product is separated and stored. This process is repeated until the NGLs have been separated into their components: ethane, propane, isobutane, normal butane and natural gasoline. Since the fractionation process uses large quantities of heat, energy costs are a major component of the total cost of fractionation. The Company reduces energy costs by capturing heat from the gas turbines which drive its compressors and by incorporating supplemental heaters and cogeneration units into its facilities. This captured heat provides a portion of the heat necessary to boil the NGL products.

The following diagram illustrates the NGL fractionation process:

[DIAGRAM APPEARS HERE]

The Company's NGL Fractionation Facilities

At Mont Belvieu, the Company operates one of the largest NGL fractionation facilities in the United States with an average production capacity of 210,000 barrels per day. Mont Belvieu is approximately 25 miles east of Houston and is the hub of the domestic NGL industry because of its proximity to the petrochemical and refinery markets of the Gulf Coast and its location on a large naturally-occurring salt dome that provides for the underground storage of significant quantities of NGLs. Excluding NGLs fractionated in facilities which are captive to certain refineries (non-commercial fractionation), approximately one-half of all NGLs fractionated in the United States are fractionated at Mont Belvieu, and the Company's fractionation facilities account for approximately 37% of NGL fractionation capacity at Mont Belvieu.

The Company's Mont Belvieu NGL fractionation facilities include two fractionation trains. Each train consists of a series of towers and is named after the point of origin of the NGL pipelines from which the facilities were originally fed. The West Texas Fractionator was constructed in 1980 with an average production capacity of 35,000 barrels per day and was expanded to 60,000 barrels per day capacity in 1988 and 115,000 barrels per day capacity in 1996. The Seminole Fractionator was constructed in 1982 with an average production capacity of 60,000 barrels per day and was expanded to 95,000 barrels per day capacity in 1985. The individual towers within the fractionation trains are de-ethanizers, depropanizers, debutanizers and deisobutanizers ("DIBs"). The two fractionation trains currently include three de-ethanizers, three depropanizers, three debutanizers and one DIB.

The Company owns an effective 37.0% interest in the NGL fractionation facilities at its Mont Belvieu complex. The remaining interests are owned by Kinder Morgan (25.0%), Burlington Resources (12.5%), Texaco (12.5%), Union Pacific Resources (12.5%) and EPCO (0.5%). The Company operates the facilities pursuant to an operating agreement that extends for their useful operating life. The Company also owns and operates an NGL fractionation facility at Petal, Mississippi. The Petal facility has two depropanizers and two DIBs with an average production capacity of approximately 7,000 barrels per day. The Petal facility is connected to the Company's Chunchula pipeline system and serves NGL producers in Mississippi, Alabama and Florida.

In March 1998, the Company announced the execution of a letter of intent with Amoco, Exxon and Williams to form a joint venture to own a 60,000 barrel per day NGL fractionation facility near Baton Rouge, Louisiana which will be constructed and operated by the Company. Construction of the facility is underway, and the planned start-up date is March 1999. The Company will operate the facility and hold a 26.5% ownership interest. The letter of intent provides that Amoco will contract to process all of the NGLs produced at its Pascagoula gas plant, Williams will agree to process the NGLs produced at its Mobile Bay gas plant and Exxon will agree to process a sufficient portion of its Louisiana-area NGLs at the facility to ensure the plant operates at full capacity. The Amoco and Williams gas plants are currently under construction and are expected to be completed before the Baton Rouge fractionation facility is completed. Based upon these preliminary indications, the Company expects that the entire 60,000 barrels per day of fractionation capacity at the Baton Rouge facility will be committed for an initial five-year term. The Baton Rouge fractionation facility and the related pipelines have been designed to permit expansion of the facility to 100,000 barrels per day capacity for a minimal additional investment.

The Company's NGL Fractionation Customers and Contracts

The Company primarily processes NGLs for a toll processing fee. Fractionation contracts typically include a base processing fee per gallon, which is subject to adjustment for changes in natural gas, electricity and labor costs, which are the principal variable costs in NGL fractionation. NGL producers generally retain title to, and the pricing risks associated with, the NGL products.

Pursuant to the joint operating agreement, all of the owners are obligated for the useful life of the facilities to deliver to the Mont Belvieu fractionation facilities for fractionation their ownership shares of NGLs that they deliver within 50 miles of Mont Belvieu. Pursuant to separate fractionation agreements, Burlington Resources and Texaco have further agreed, for the terms of these agreements, to deliver a minimum of 39,000 barrels per day of mixed NGLs (150% of their respective 12.5% ownership shares) or all mixed NGLs delivered within 50 miles of Mont Belvieu. Pursuant to its fractionation agreement, Union Pacific Resources has further agreed to deliver 26,000 barrels per day of mixed NGLs (100% of its 12.5% ownership share) and all additional barrels that exceed its current commitments to other facilities. The Company generally enters into contracts which cover most of the remaining capacity at the facilities for one to three-year terms with customers such as ARCO, Aquila, Enron, Exxon, MAPCO and Marathon/Ashland. The Company also purchases a small quantity of mixed NGLs from oil and natural gas producers who prefer to sell at the gas processing plant or the fractionation facility. The Company resells the separated components of these NGLs in the spot market or uses them as feedstock for its other operations.

The following table demonstrates the volumes of NGLs at the Mont Belvieu facility accounted for by the joint owners during 1997:

PRINCIPAL 1997 NGL FRACTIONATION CUSTOMERS

CUSTOMER NAME	AVERAGE DAILY VOLUMES	1997 VOLUMES	PERCENT OF TOTAL 1997 VOLUMES
	(THOUSANDS OF BARRELS)	(MILLIONS OF BARRELS)	
Joint Owners, Total................	143.0	52.1	75.6%
Burlington Resources.............	48.4	17.7	25.6%
Union Pacific Resources..........	46.4	16.9	24.5%
Texaco...........................	39.3	14.3	20.8%
Enterprise.......................	8.9	3.2	4.7%
All Others (14 Processing Customers)........................	46.2	16.9	24.4%
Total Processing..................	189.2	69.0	100%

In each of the last five years, the Mont Belvieu fractionation facilities have operated at more than 90% capacity. The following table shows the volumes of mixed NGLs fractionated and the utilization at these facilities over this period:

MONT BELVIEU NGL FRACTIONATION VOLUMES AND UTILIZATION

	YEAR ENDED DECEMBER 31,				
	1993	1994	1995	1996	1997
Average daily production volume (thousands of barrels)..	145	158	158	167	189
Average capacity utilization(a)......................	91%	95%	95%	97%	92%
Tolling volume as a percentage of total volume	94%	94%	86%	90%	95%

- --------
(a) The Company completed an expansion of the facilities in November 1996, which increased capacity from 165,000 barrels per day to 210,000 barrels per day. This increased production capacity was not fully utilized until mid-1997.

ISOMERIZATION

General

Isomerization is the process of converting normal butane into mixed butane, which is subsequently fractionated into isobutane and normal butane. The demand for commercial isomerization services depends on requirements for isobutane in excess of naturally occurring isobutane that is produced from fractionation and refinery operations. The profitability of isomerization operations is largely dependent upon the differential in the prices of normal butane and isobutane. The spread between the prevailing prices of normal butane and isobutane must be sufficient to support the conversion of normal butane into isobutane by the isomerization process. It is generally uneconomical to convert normal butane into isobutane when the price spread is too narrow. Over the last four years, the average monthly price of isobutane has been as high as 5.46 cents per gallon above the price of normal butane and has averaged approximately 3 cents per gallon above the price for normal butane. In certain months, however, the spread between the price of normal butane and the price of isobutane has been less than two cents or negative. To satisfy its customers' requirements at these times, the Company has either purchased isobutane in the market or separated isobutane from mixed butane held in inventory.

Isobutane is principally supplied by NGL fractionation and commercial isomerization units, such as those operated by the Company. The principal sources of demand for isobutane are refineries for alkylation, petrochemical

companies for the production of propylene oxide and MTBE producers. The tables set forth below

indicate historical supply and demand information for isobutane. Differences in total supply and total demand for each year represent net increases or decreases in isobutane inventories.

ISOBUTANE HISTORICAL SUPPLY
(THOUSANDS OF BARRELS PER DAY)

	DOMESTIC						PERCENT OF TOTAL	
	GAS PLANTS	REFINERIES	COMMERCIAL ISOM UNITS	TOTAL	NET IMPORTS	TOTAL	DOMESTIC	IMPORTS
1993.........	106.4	10.7	91.3	208.4	16.1	224.5	92.8%	7.2%
1994.........	108.3	11.5	86.1	205.9	10.8	216.7	95.0	5.0
1995.........	110.8	13.2	82.0	206.0	7.4	213.4	96.5	3.5
1996.........	111.8	12.3	82.8	206.9	7.2	214.1	96.6	3.4
1997.........	111.2	12.7	77.2	201.1	11.6	212.7	94.5	5.5

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Source: Petral Consulting Company

ISOBUTANE HISTORICAL DEMAND
(THOUSANDS OF BARRELS PER DAY)

	REFINERY PURCHASES	PROPYLENE OXIDE	MTBE	OTHER	TOTAL DEMAND
1993.....................................	161.3	33.3	20.5	10.9	226.0
1994.....................................	147.4	33.2	31.8	10.0	222.4
1995.....................................	137.2	38.0	30.5	10.1	215.7
1996.....................................	126.5	44.5	31.5	10.7	213.1
1997.....................................	118.0	49.0	35.1	11.5	213.6

- --------
Source: Petral Consulting Company

The Isomerization Process

Isobutane is a naturally occurring chemical isomer of normal butane, with a lower boiling point and higher vapor pressure than normal butane. Normal butane and isobutane generally occur naturally in mixed butane streams at an approximate ratio of 65% normal butane and 35% isobutane. Isomerization facilities contain butamer reactors and DIBs. Butamer reactors use a catalytic reaction process to convert a portion of the normal butane feedstock into mixed butane, which is a stream of isobutane and normal butane. DIBs then separate the isobutane from the normal butane through fractionation. The unconverted normal butane is typically recirculated through the isomerization units until it has been totally converted into isobutane, but it also can be sold to third parties.

The following diagram illustrates the isomerization and mixed butane fractionation processes:

[CHART APPEARS HERE]

The Company's Isomerization Facilities

The Company's Mont Belvieu facility includes three butane isomerization units and associated DIBs operated by the Company which comprise the largest butane isomerization complex in the United States. The Company's facilities have an average combined production capacity of 116,000 barrels of isobutane per day and account for more than 70% of the commercial isobutane production capacity in the United States. The Company built its first two isomerization units ("Isom I and II") in 1981, each with a capacity of 13,500 barrels per day. In 1991 and 1992, the capacity of each of these units was increased to 36,000 barrels per day. The third isomerization unit ("Isom III") was completed in 1992 with a capacity of 44,000 barrels per day at a cost of $78 million. The Company has the operating flexibility to switch the process streams from its isomerization units among different DIB units in order to maximize overall plant efficiency. The Company is also able to process fluoridic, lower cost butanes from oil refineries which it would otherwise be unable to process by first passing those butanes through an associated defluorinator.

The Company's Isomerization Customers and Contracts

The Company uses its isomerization facilities to refine normal butane for processing customers or to process isobutane from normal butane to meet sales contracts. The Company's most significant processing customers typically operate under term contracts. The Isom I unit has been dedicated to ARCO under a processing agreement since the unit was built in 1981. The current contract has a ten-year term which expires in November 1999. ARCO supplies the normal butane feedstock to the Isom I unit from its refinery and pays the Company a processing fee based on the gallons of isobutane produced. ARCO uses the isobutane processed by the Company to produce propylene oxide and MTBE. ARCO accounted for approximately 42.9% of the Company's isomerization volumes in 1997. ARCO and the Company are currently negotiating the terms of a renewal of the processing contract.

The Company also has significant isomerization processing contracts with Huntsman, Sun and Mitchell pursuant to which the customers supply the Company with normal butane feedstock and pay the Company a processing fee based on the gallons of isobutane produced. Sun and Mitchell use the isobutane processed for them by the Company to meet their feedstock obligations as partners in the BEF MTBE production facility. The Company can also meet its own obligation to provide isobutane feedstock to the MTBE facility with production from its isomerization unit. As the following table indicates, processing contracts, together with volumes processed by the Company to meet its obligations to BEF, accounted for more than 90% of utilization in 1997:

PRINCIPAL 1997 ISOMERIZATION PROCESSING CUSTOMERS

CUSTOMER NAME	AVERAGE DAILY VOLUMES	TOTAL 1997 VOLUMES	PERCENTAGE OF TOTAL VOLUMES
	(THOUSANDS OF BARRELS)	(THOUSANDS OF BARRELS)	
ARCO	28.7	10,485	42.9%
BEF			
Enterprise	5.3	1,934	7.9
Mitchell	5.0	1,837	7.5
Sun	5.0	1,834	7.5
BEF Subtotal	15.3	5,605	22.9
Huntsman	15.0	5,459	22.3
Mobil	2.9	1,050	4.3
Total	61.9	22,599	92.4%

In addition to its processing contracts, the Company has also entered into contracts to sell isobutane to Global Octanes, Texas Petrochemicals, Equistar, Citgo, Crown Central and Texaco. The Company has long-standing business relationships with Global Octanes and Texas Petrochemicals. The Company has the only pipeline connection to Global Octanes and the only pipeline connection to Texas Petrochemicals that is capable

of delivering isobutane on a continuous, as-needed basis. The Company is currently in negotiations to renew these contracts, both of which expire this year. Prices under these contracts generally are based on the spot market price for isobutane at Mont Belvieu. The Company can meet its sales obligations either by purchasing normal butane in the spot market and isomerizing it, by purchasing mixed butane on the spot market, including imports, and processing it through a DIB, or by purchasing isobutane in the spot market. When the price differential between normal butane and isobutane is not substantial enough to justify isomerization, the Company purchases isobutane and delivers it to its sales customers who pay market-based price. Accordingly, the percentage of isomerization volumes represented by processing customers increases when the spread between normal butane and isobutane prices is narrow.

The following table describes the volumes of isobutane produced and the utilization at the Company's Mont Belvieu facility during the past five years:

ISOMERIZATION VOLUMES AND UTILIZATION

	YEAR ENDED DECEMBER 31,				
	1993	1994	1995	1996	1997
Average daily toll processing volume (thousands of barrels)	45	45	57	59	62
Average daily merchant volume (thousands of barrels)	39	42	44	52	53
Average capacity utilization	57%	57%	58%	61%	57%
Tolling volume as a percentage of total production	66%	68%	86%	84%	92%

MIXED BUTANE FRACTIONATION

The Company owns and operates a total of eight DIBs at Mont Belvieu. These DIBs are used to fractionate mixed butane produced from the Company's NGL fractionation and isomerization facilities and from imports and other outside sources. The operating flexibility provided by the multiple DIBs enables the Company to take advantage of fluctuations in demand and prices for the different types of butane. The DIBs are used to fractionate mixed butane into isobutane and normal butane. Normal butane is either reprocessed through the Company's isomerization units to produce additional isobutane or is sold to third parties. The Company also has DIB capacity available for toll processing of mixed butane streams for third parties.

Imports are the Company's most significant outside source of mixed butane. The Company owns and operates an NGL import/export facility on the Houston ship channel, one of only three facilities in the United States capable of receiving and unloading world-scale NGL tankers. This facility, which is connected to the Mont Belvieu facility via the Company's bi-directional pipeline, enables the Company to import large quantities of mixed butane for processing in its DIBs. During 1997, imports, primarily from Algeria, Mexico and Venezuela, accounted for 81% of the Company's mixed butane from outside sources. The Company believes that, because of new projects in Africa and South America and the lack of storage capacity in the Middle East, NGL import volumes will remain consistent over the near term.

MIXED BUTANE FRACTIONATION VOLUMES AND UTILIZATION

The following table shows the volumes of mixed butane fractionated and utilization at the Company's Mont Belvieu facilities during the past four years:

	YEAR ENDED DECEMBER 31,			
	1994	1995	1996	1997
Average daily throughput volume (thousands of barrels)	18	15	16	20
Average capacity utilization(a)	64%	54%	58%	72%

- --------

(a) The Company's DIB units have total capacity of 233,000 barrels per day of butane, and approximately 205,000 barrels per day would be required if the Company's isomerization units were operated at full capacity. The capacity utilization figures for mixed butane fractionation are based on 28,000 barrels per day capacity from standalone DIBs. These figures do not include any unused isomerization DIB capacity.

MTBE PRODUCTION

General

MTBE is produced by reacting methanol with isobutylene, which is derived from isobutane. MTBE was originally used as an octane enhancer in motor gasoline, partly in response to the lead phase-down program begun in the mid-1970s. Following implementation of the Clean Air Act Amendments of 1990, MTBE became a widely-used oxygenate to enhance the clean burning properties of motor gasoline. Although oxygen requirements can be obtained by using various oxygenates such as ethanol, ethyl tertiary butyl ether (ETBE) and tertiary amyl methyl ether (TAME), MTBE has gained the broadest acceptance due to its ready availability and history of acceptance by refiners. Additionally, motor gasoline containing MTBE can be transported through pipelines, which is a significant competitive advantage over alcohol blends.

Substantially all of the MTBE produced in the United States is used in the production of oxygenated motor gasoline that is required to be used in carbon monoxide and ozone non-attainment areas pursuant to the Clean Air Act Amendments of 1990 and the California oxygenated motor gasoline program. Demand for MTBE is primarily affected by the demand for motor gasoline in these areas. Motor gasoline usage in turn is affected by many factors, including the price of motor gasoline (which is dependent upon crude oil prices) and general economic conditions. Historically, the spot price for MTBE has been at a modest premium to gasoline blend values. Future MTBE demand is highly dependent on environmental regulation, federal legislation and the actions of individual states. See "Risk Factors--Risks Inherent in the Company's Business--The Profitability of the Company's Operations Will Depend Upon the Demand for the Company's Services--MTBE" for a discussion of legislation proposed in California to ban MTBE as a gasoline additive and the legislation proposed in Congress to exempt California from the federal oxygenate requirements.

MTBE
HISTORICAL SUPPLY/DEMAND
(THOUSANDS OF BARRELS PER DAY)

	SUPPLY					DOMESTIC DEMAND			
				PERCENT OF TOTALS					
	PRODUCTION	NET IMPORTS	TOTAL	DOMESTIC	IMPORTS	REFORMULATED GAS	CO-GAS	OCTANES/ OTHER	TOTAL
1993	135.8	13.0	148.8	91.3%	8.7%	0	95.0	64.6	159.6
1994	143.7	30.9	174.6	82.3	17.7	28.5	68.9	66.8	164.2
1995	163.3	57.7	221.0	73.9	26.1	197.1	23.9	14.0	235.0
1996	185.2	61.9	247.1	75.0	25.0	223.9	6.8	13.1	243.8
1997	197.6	67.6	265.3	74.5	25.5	239.5	1.9	28.7	270.1

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Source: DeWitt & Company Incorporated. Differences in total supply and total demand for each year represent net increases or decreases to industry MTBE inventories.

The MTBE Production Process

The feedstocks for the Company's MTBE facility are isobutane and methanol. The Company produces isobutane through its mixed butane fractionation and isomerization processes. At the MTBE facility, isobutane is dehydrogenated into isobutylene. The isobutylene is then reacted with purchased methanol to create MTBE. By-products of this process include propane/propylene mix, which is routed to the Company's propylene fractionation facilities, hydrogen, which is sold to a third party, and other mixed NGLs, which can be processed in the Company's NGL fractionation facilities or sold to third-party refiners.

The following diagram illustrates the MTBE production process:

MTBE PRODUCTION

[CHART APPEARS HERE]

The Company's MTBE Production Facilities

The Company owns a 33 1/3% interest in BEF, the joint venture which owns the MTBE production facility located within the Company's Mont Belvieu complex. Both Sun and Mitchell own 33 1/3% interests in BEF. The BEF facility was completed in 1994 at a total cost of $225 million and has an average MTBE production capacity of 14,800 barrels per day. The Company operates the facility under a long-term contract with its two partners.

The Company's MTBE Customers and Contracts

Under the BEF partnership agreement, each partner is responsible for supplying one-third of the facility's isobutane feedstock through June 2004. Mitchell and Sun have each contracted to supply their respective portions of the feedstock from the Company's isomerization facilities. The methanol feedstock is purchased from third parties under long-term contracts and transported to Mont Belvieu by a dedicated pipeline which is part of the Company's Houston ship channel system. At the time of the construction of the MTBE facility, BEF entered into a ten-year agreement with Sun pursuant to which Sun is required to purchase all of the MTBE production from the facility. Sun has agreed to pay the higher of a floor price or market price for the first 193.5 million gallons per year of production and spot prices on the remaining production per contract year through May 2000. At the end of 1997, the floor price paid by Sun was $1.0392 per gallon. Beginning June 1, 2000 through the termination of the contract in May 2005, the price for all production will be a market-based negotiated price. During 1997, the average spot price for MTBE on the Gulf Coast was approximately $0.83 per gallon.

The following table shows the production volumes and utilization at BEF's MTBE facility over the past four years:

MTBE VOLUMES AND UTILIZATION

	1994	1995	1996	1997
Average daily production volume (thousands of barrels)....	7.8	9.6	12.2	14.4
Average capacity utilization.............................	70%	65%	82%	97%

PROPYLENE FRACTIONATION

General

Polymer grade, or high purity, propylene is one of three grades of propylene sold in the United States and is used in the petrochemical industry for the production of plastics. High purity propylene is typically over 99.5% pure propylene and is derived by purifying either of the lower grade propylene feedstocks, refinery grade or chemical grade. Chemical grade propylene is 92-93% pure propylene and is produced as a by-product of olefin (ethylene) plants. The supply of chemical grade propylene is insufficient to meet the demand for high purity propylene; therefore, remaining demand is satisfied by the purification of refinery grade propylene. Refinery grade propylene, or propane/propylene mix, is 50-70% pure propylene, with the primary impurity being propane. Propane/propylene mix is produced in crude oil refinery fluid catalytic cracking plants and is fractionated to separate propane and other impurities from the high purity propylene. The fractionation process occurs either at the crude oil refinery or at a commercial propylene fractionation facility like the one operated by the Company.

Since 1995, domestic propylene production has remained fairly constant, averaging approximately one million barrels per day. Polypropylene production accounts for approximately one-half of the demand for high purity propylene. Polypropylene has a variety of end uses, including fiber for carpets and upholstery, packaging film and molded plastic parts for appliance, automotive, houseware and medical products. The demand for polypropylene has been increasing an average of 4% to 5% per year over recent years. The alternative use for propylene in refineries is to produce alkylate for blending into gasoline.

The Propylene Fractionation Process

Refinery grade propane/propylene mix is fractionated in towers similar to those in which mixed NGLs are fractionated in fractionation units. In propylene fractionation facilities, propane and mixed butanes are separated

from high purity propylene. The propane is ultimately used in petrochemical plants or sold in heating/fuel markets. The small amount of mixed butane produced is typically processed through DIBs and fractionated into isobutane and normal butane. The high purity propylene is shipped by truck or pipeline to plastics manufacturers. Like NGL fractionation units, propylene splitters realize energy savings by using the heat produced by the gas turbine engines which drive the facilities' compressors.

The following diagram illustrates the propylene fractionation process:

[DIAGRAM APPEARS HERE]

The Company's Propylene Facilities

In 1979, the Company, together with Montell (a Shell subsidiary), constructed its first propylene fractionation unit. The unit, which is also called a "splitter," had an initial average production capacity of 5,500 barrels per day. The facility has been expanded over the years to a current average propylene production capacity of 16,500 barrels per day. The Company owns a 54.6% interest in the splitter, and Montell owns the remaining 45.4% interest. The Company leases Montell's interest. In response to strong demand, the Company constructed a second propylene fractionation unit in March 1997 at a cost of approximately $52 million. The new unit has an average production capacity of 13,500 barrels per day. The Company is the sole owner of the second splitter; however, Mobil has an option to purchase a 25.0% interest in the splitter for $13.75 million for a one-year period ending September 30, 1999. Together, the splitters have an average production capacity of 30,000 barrels per day of high purity propylene.

The Company is able to unload barges carrying propane/propylene mix through its import/export facility on the Houston ship channel. The Company is also able to receive supplies of propane/propylene mix from its truck and rail loading facility and from refineries and other propane/propylene mix producers through its pipeline located along the Houston ship channel.

The Company's Propylene Customers and Contracts

The Company produces high purity propylene both as a toll processor and for sale pursuant to long-term agreements with market-based pricing and on the spot market. The Company's most significant toll processing contracts are with Equistar and Huntsman. Pursuant to those contracts, the Company is guaranteed certain minimum volumes and paid a processing fee based on the pounds of high purity propylene processed. The Company also has toll processing contracts with Chevron, Shell and Montell. The Company has several long-term high purity propylene sales agreements, the most significant of which is with Montell. Pursuant to the Montell agreement, the Company agrees to sell Montell 700 million pounds, equal to approximately 11,000 barrels per day, of high purity propylene each year at market-based prices. The Company has supplied Montell with propylene since the first splitter facility was constructed in 1979. This contract is the first of three 12-year terms which expires on December 31, 2004. To meet its sales obligations, the Company has entered into several long-term agreements to purchase propane/propylene mix. The Company's most significant feedstock contracts are with Crown Central, Mobil, Shell and Valero.

PRINCIPAL 1997 PROPYLENE FRACTIONATION CUSTOMERS

CUSTOMER NAME	AVERAGE DAILY VOLUMES	TOTAL 1997 VOLUMES	PERCENTAGE OF TOTAL 1997 VOLUMES
	(THOUSANDS OF BARRELS)	(MILLIONS OF BARRELS)	
Processing Customers:			
Montell	1.4	0.5	5.5%
Equistar	5.8	2.1	23.2%
Huntsman	3.0	1.1	12.1%
Chevron	1.9	0.7	7.5%
Shell	0.3	0.1	1.1%
Total Processing	12.4	4.5	49.4%
Sales Customers:			
Montell	11.0	4.0	44.0%
Huntsman	0.8	0.3	3.3%
Other	0.8	0.3	3.3%
Total Sales	12.6	4.6	50.6%
Total	25.0	9.1	100%

The following table shows the volumes of propylene produced and utilization at the Company's facilities over the past five years:

PROPYLENE FRACTIONATION VOLUMES AND UTILIZATION

	YEAR ENDED DECEMBER 31,				
	1993	1994	1995	1996	1997
Average daily production volume (thousands of barrels)	16	14	16	17	26
Average capacity utilization (a)	98%	84%	100%	100%	93%
Tolling volumes as a percentage of total volume	36%	35%	35%	33%	50%

- --------
(a) The Company began operating its second splitter in March 1997 resulting in an increase in capacity to 30,000 barrels per day. During the last six months of 1997, average daily production volume was 29,000 barrels per day.

OTHER BUSINESSES

Storage

NGLs, NGL products, propane/propylene mix and other light hydrocarbons must be pressurized or refrigerated for storage or transportation in a liquid state. Above-ground storage of these materials in refrigerated or pressurized containers is uneconomical in the quantities required for efficient processing and industrial consumption. For this reason, such materials are typically stored in underground caverns, or wells, within salt domes or salt beds. These salt formations provide a medium which is impervious to the stored products and can contain large quantities of hydrocarbons in a safer manner and at a significantly lower per-unit cost than any above-ground alternative. Brine is used to displace the stored products and to maintain pressure in the well as product volumes fluctuate. The Company owns nine storage wells at Mont Belvieu with an aggregate capacity of approximately 20 million barrels. The Company also owns NGL storage caverns in Breaux Bridge, Louisiana and Petal, Mississippi with additional capacity of 15 million barrels.

Several of the wells at Mont Belvieu are used to store mixed NGLs and propane/propylene mix that have been delivered for processing. Such storage allows the Company to mix various batches of feedstock and maintain a sufficient supply and stable composition of feedstock to the processing facilities. The Company stores certain fractionated products for its customers when they are unable to take immediate delivery. These products include propane, isobutane, normal butane, mixed butane and high purity propylene. The Company's storage and product handling facilities and pipeline systems also enable it to unload feedstocks and load processed products on marine tankers at maximum rates. Some of the Company's processing contracts allow for a short period of free storage (typically 30 days or less) and impose fees based on volumes stored for longer periods.

Pipelines

The Company owns and operates a network of approximately 500 miles of NGL and propylene pipelines in the Gulf Coast area.

The following table identifies the Company's primary pipeline assets:

PIPELINE SYSTEM	LOCATION	MILES	FUNCTION	COMPANY OWNERSHIP PERCENTAGE
Houston ship channel....	Mont Belvieu to Port of Houston	175	Delivers NGLs to Mont Belvieu and NGL products to refineries and petrochemical companies	100%
Sorrento................	Near Baton Rouge to near New Orleans	140	Delivers NGL products to refineries and petrochemical companies and Dixie Pipeline	100%
Chunchula...............	Alabama/Florida border to Petal, Mississippi	117	Delivers NGLs to Petal fractionator	100%
Lake Charles/Bayport Propylene Pipeline.....	Mont Belvieu to Lake Charles, Louisiana and Bayport, Texas	134	Delivers high-purity propylene from Mont Belvieu to Montell's Lake Charles and Bayport propylene plants and to Aristech's LaPorte facility and receives refinery grade propylene from Mobil at Beaumont	50%

The Houston ship channel distribution system and the Sorrento system are bi-directional for maximum operating flexibility, market responsiveness and transportation efficiency. These systems transport feedstocks to the Company's facilities for processing and deliver products to petrochemical plants and refineries. The Houston ship channel distribution system has an aggregate length of approximately 175 miles and extends west from Mont Belvieu, along the Houston ship channel to Pierce Junction south of Houston. The Houston ship channel system includes (i) a combination 6-inch and 8-inch propane/propylene mix pipeline; (ii) a combination 8-inch and 10-inch isobutane pipeline; (iii) an 8-inch methanol pipeline; and (iv) a combination 12-inch and 16-inch NGL import/export pipeline. The Houston ship channel distribution system serves the refinery and petrochemical industry concentrated along the Houston ship channel and connects the Mont Belvieu facilities to a number of the Company's major customers and suppliers.

The Sorrento system comprises two pipeline subsystems aggregating 140 miles in length that originate from Sorrento, Louisiana and serve the major refineries and petrochemical companies on the Mississippi River from near Baton Rouge, Louisiana to near New Orleans, Louisiana. One subsystem is used for transporting propane, and one is used for transporting butane and natural gasoline. Propane received in the Sorrento system can be delivered to petrochemical plants or into the Dixie Pipeline. Butane from Mont Belvieu can be received from the Dixie Pipeline at the Company's Breaux Bridge storage facility, transported through the Company's pipeline and delivered to refineries located along the Sorrento system.

The Chunchula System originates at the Alabama-Florida border and extends west to the Company's NGL storage and fractionation facility in Petal, Mississippi. The Company owns and operates a 117-mile, 6-inch line consisting of the Chunchula Pipeline and the Jay Extension that gathers NGLs from the Chunchula, Jay and Hatters Pond Fields in Florida and Alabama for delivery to the Company's facility in Petal, Mississippi for processing or storage and further distribution.

The Company operates a 134-mile propylene pipeline system which is used to distribute high purity propylene from Mont Belvieu to Montell's polypropylene plants in Lake Charles, Louisiana and Bayport, Texas and Aristech's facility in LaPorte, Texas. A segment of the pipeline is jointly owned by the Company and Montell, and another segment of the pipeline is jointly leased from Mobil.

The Company recently announced its intention to participate in the construction of two new pipeline projects which will support its Baton Rouge NGL fractionator joint venture. The Tri-States Pipeline, a joint venture with Amoco, Duke, Koch, Williams and Tejas (a Shell subsidiary), will extend approximately 169 miles from Mobile Bay, Alabama to near Kenner, Louisiana. The Wilprise Pipeline, a joint venture with Williams and Amoco, will extend approximately 30 miles from Kenner to Sorrento, Louisiana. Both pipelines will transport mixed NGLs from Mobile Bay to fractionation facilities. At Kenner, some shippers will be able to choose between shipment to fractionation facilities in a competing system in South Louisiana or to fractionation facilities at Baton Rouge using the Wilprise Pipeline and another pipeline linking Sorrento to Baton Rouge.

Houston Ship Channel Import/Export Facility; Rail Cars and Facilities

The Company operates an NGL import/export facility at the Oiltanking Houston marine terminal on the Houston ship channel. The import/export facility is connected to Mont Belvieu via the Company's 16-inch bi-directional import/export pipeline. This pipeline enables NGL tankers to be offloaded at their maximum (10,000 barrels per hour) unloading rate, thus minimizing laytime and maximizing facility usage. An 8-inch methanol pipeline which is part of the Houston ship channel distribution system also extends from the facility to Mont Belvieu and enables methanol to be delivered by ship and then transferred to the MTBE facility. Also under development is a project to install at the import/export facility a chiller for cooling NGL products for loading into refrigerated marine tankers. The chiller will speed the loading of vessels and enable the throughput of the facility to be increased accordingly.

The Company utilizes a fleet of approximately 350 rail cars under short and long-term leases used to deliver feedstocks to Mont Belvieu and transport NGL products throughout the United States. The Company also has rail loading/unloading facilities at Mont Belvieu, Texas, Breaux Bridge, Louisiana, and Petal, Mississippi to serve its own and customers' rail shipments.

COMPETITION

The consumption of NGL products in the United States can be separated among four distinct markets. Petrochemical production provides the largest end-use market, followed by motor gasoline production, residential and commercial heating and agricultural uses. There are other hydrocarbon alternatives, primarily refined petroleum products, which can be substituted for NGL products in most end uses. In some uses, such as residential and commercial heating, a substitution of other hydrocarbon products for NGL products would require a significant expense or delay, but for other uses, such as production of ethylene, industrial fuels and petrochemical feedstocks, such a substitution can be made without significant delay or expense.

Because certain NGL products are used in motor gasoline and compete with other refined petroleum products in the fuel and petrochemical feedstock markets, NGL product prices are set by or in competition with petroleum-derived products. Increased production and importation of NGLs and NGL products in the United States may decrease NGL product prices in relation to petroleum-based alternatives and thereby increase consumption of NGL products in the petrochemical feedstock market as NGL products are substituted for other more expensive refined products. Conversely, a decrease in both production and importation of NGLs and NGL products could increase NGL products prices in relation to petroleum-based alternatives and thereby decrease consumption of NGLs. However, because of the relationship of crude oil and natural gas production to NGL production, the Company believes that any imbalance in the prices of NGLs and NGL products and alternative products would be temporary.

Although competition for NGL product fractionation services is based primarily on the fractionation fee, the ability of a fractionator to obtain and distribute product is a function of the existence of the necessary pipelines and transportation facilities. A fractionator connected to an extensive transportation and distribution system has direct access to a larger market than its competitors. Overall, the Company believes that it provides a broader range of services than any of its competitors at Mont Belvieu. In addition, the Company believes that its joint venture relationships enable it to contract for the long-term utilization of a significant amount of its fractionation facilities with major producers and consumers of NGLs or NGL products.

The Company's Mont Belvieu fractionation facility competes for volumes of mixed NGLs with three other fractionators at Mont Belvieu: a joint venture between Warren, a subsidiary of NGC Corporation, and Amoco (205,000 barrels per day capacity); Gulf Coast Fractionators, a joint venture of Conoco, Mitchell Energy and Warren (42,000 barrels per day capacity); and a joint venture between Koch Industries and Union Pacific Resources (110,000 barrels per day capacity). Mobil operates a fractionation facility (60,000 barrels per day capacity) in Hull, Texas that is connected to Mont Belvieu by pipeline and Phillips Petroleum operates a fractionation facility (70,000 barrels per day capacity) in Sweeny, Texas that is connected to Mont Belvieu by pipeline. Mobil and Phillips use their facilities primarily to process their own NGL production and do not typically compete for supplies with the Company. The Company's fractionation facilities also compete on a more limited basis with two fractionators in Conway, Kansas: MAPCO (107,000 barrels per day capacity) and Koch Industries (200,000 barrels per day capacity) and with a number of decentralized, smaller fractionation facilities in Louisiana, the most significant of which are Promix at Napoleonville (55,000 barrels per day capacity), Texaco at Paradis (45,000 barrels per day capacity) and TransCanada at Eunice and Riverside (45,000 barrels per day combined capacity). In recent years, the Conway market has experienced excess capacity and prices for NGL products that are generally lower than prices at Mont Belvieu, although prices in Conway tend to strengthen along with demand for propane in winter months. Finally, a number of producers operate smaller-scale fractionation facilities at individual field processing facilities.

In the isomerization market, the Company competes primarily with Koch Industries at Conway, Kansas; Enron at Riverside, Louisiana; and Conoco at Wingate, New Mexico. Enron and Valero also produce isobutane, primarily for internal production of MTBE. Competitive factors affecting isomerization operations include the price differential between normal butane and isobutane as well as the fees charged for isomerization services, long-term contracts, the availability of merchant capacity, the ability to produce a higher purity isobutane product and storage and transportation support.

The Company's BEF joint venture competes with a number of MTBE producers, including a number of refiners who produce MTBE for internal consumption in the manufacture of reformulated motor gasoline. Competitive factors affecting MTBE production include production costs, long-term contracts, the availability of merchant capacity and federal and state environmental regulations relating to the content of motor gasoline.

The Company competes with numerous producers of high purity propylene, which include many of the major refiners on the Gulf Coast. The Company and Ultramar Diamond Shamrock are the primary domestic commercial producers of high purity propylene from refinery-sourced propane/propylene mix. High purity propylene is also produced as a by-product from steam crackers used in ethylene production.

Certain of the Company's competitors are major oil and natural gas companies and other large integrated pipeline or energy companies which have greater financial resources than the Company. The Company believes that its independence from the major producers of NGLs and petrochemical companies is often an advantage in its dealings with its customers, but the Company's continued success will depend upon its ability to maintain strong relationships with the primary producers of NGLs and consumers of NGL products, particularly in the form of long-term contracts and joint venture relationships.

REGULATORY MATTERS

Interstate Common Carrier Pipeline Regulation

While most of the Company's pipelines are intrastate, private carriers and not subject to economic regulations, the Company's interstate pipelines carrying NGLs, NGL products, and propylene are common carrier oil pipelines subject to regulation by FERC under the October 1, 1977 version of the Interstate Commerce Act ("ICA").

STANDARDS FOR TERMS OF SERVICE AND RATES. As interstate common carriers, these pipelines provide service to any shipper who requests transportation services, provided that the products tendered for transportation satisfy the conditions and specifications contained in the applicable tariff. The ICA requires the Company to maintain tariffs on file with the FERC that set forth the rates the Company charges for providing transportation services on the interstate common carrier pipelines as well as the rules and regulations governing these services.

The ICA gives the FERC authority to regulate the rates the Company charges for service on the interstate common carrier pipelines. The ICA requires, among other things, that such rates be "just and reasonable" and nondiscriminatory. The ICA permits interested persons to challenge proposed new or changed rates and authorizes the FERC to suspend the effectiveness of such rates for a period of up to seven months and to investigate such rates. If, upon completion of an investigation, the FERC finds that the new or changed rate is unlawful, it is authorized to require the carrier to refund the revenues in excess of the prior tariff collected during the pendency of the investigation. The FERC may also investigate, upon complaint or on its own motion, rates that are already in effect and may order a carrier to change its rates prospectively. Upon an appropriate showing, a shipper may obtain reparations for damages sustained for a period of up to two years prior to the filing of a complaint.

On October 24, 1992, Congress passed the Energy Policy Act of 1992 ("Energy Policy Act"). The Energy Policy Act deemed petroleum pipeline rates that were in effect for the 365-day period ending on the date of enactment or that were in effect on the 365th day preceding enactment and had not been subject to complaint, protest or investigation during the 365-day period to be just and reasonable under the ICA (i.e., "grandfathered"). The Energy Policy Act also limited the circumstances under which a complaint can be made against such grandfathered rates. In order to challenge grandfathered rates, a party would have to show that it was previously contractually barred from challenging the rates or that the economic circumstances or the nature of the service underlying the rate had substantially changed or that the rate was unduly discriminatory or preferential. These grandfathering provisions and the circumstances under which they may be challenged have received only limited attention from the FERC, causing a degree of uncertainty as to their application and scope.

The Energy Policy Act required the FERC to issue rules establishing a simplified and generally applicable ratemaking methodology for petroleum pipelines, and to streamline procedures in petroleum pipeline proceedings. The FERC responded to this mandate by issuing Order No. 561, which, among other things, adopted a new indexing rate methodology for petroleum pipelines. Under the new regulations, which became effective January 1, 1995, petroleum pipelines are able to change their rates within prescribed ceiling levels that are tied to an inflation index. Rate increases made within the ceiling levels will be subject to protest, but such protests must show that the portion of the rate increase resulting from application of the index is substantially in excess of the pipeline's increase in costs. If the indexing methodology results in a reduced ceiling level that is lower than a pipeline's filed rate, Order No. 561 requires the pipeline to reduce its rate to comply with the lower ceiling. Under Order No. 561, a pipeline must as a general rule utilize the indexing methodology to change its rates. The

FERC, however, retained cost-of-service ratemaking, market-based rates, and settlement as alternatives to the indexing approach, which alternatives may be used in certain specified circumstances.

The Company believes that the rates it charges for transportation service on its interstate pipelines have been grandfathered under the Energy Policy Act and are thus considered just and reasonable under the ICA. As discussed above, however, because of the uncertainty related to the application of the Energy Policy Act's grandfathering provisions to the Company's rates as well as the novelty and uncertainty related to the FERC's new indexing methodology, the Company is unable to predict what rates it will be allowed to charge in the future for service on its interstate common carrier pipelines. Furthermore, because rates charged for transportation must be competitive with those charged by other transporters, the rates set forth in the Company's tariffs will be determined based on competitive factors in addition to regulatory considerations.

ALLOWANCE FOR INCOME TAXES IN COST OF SERVICE. In a 1995 decision regarding Lakehead Pipe Line Company ("Lakehead"), FERC ruled that an interstate pipeline owned by a limited partnership could not include in its cost of service an allowance for income taxes with respect to income attributable to limited partnership interests held by individuals. On request in 1996, FERC clarified that, in order to avoid any effect of a "curative allocation" of income from individual partners to the corporate partner, an allowance for income taxes paid by corporate partners must be based on income as reflected on the pipeline's books for earning and distribution rather than as reported for income tax purposes. Subsequent appeals of these rulings were resolved by a 1997 settlement among the parties and were never adjudicated. The effect of this policy on the Company is uncertain. The Company's rates are set using the indexing method and have been grandfathered. It is possible that a party might challenge the Company's grandfathered rates on the basis that the creation of the Company constituted a substantial change in circumstances, potentially lifting the grandfathering protection. Alternatively, a party might contend that, in light of the Lakehead ruling and creation of the Company, the Company's rates are not just and reasonable. While it is not possible to predict the likelihood that such challenges would succeed at FERC, if such challenges were to be raised and succeed, application of the Lakehead ruling would reduce the Company's permissible income tax allowance in any cost of service, and rates, to the extent income is attributable to partnership interests held by individual partners rather than corporations.

INTRASTATE COMMON CARRIER REGULATION. The Sorrento Pipeline is an intrastate common carrier pipeline that transports NGL products and is subject to various Louisiana state laws and regulations that affect the terms of service and rates for such services. In addition, the Louisiana Public Service Commission ("LPSC") asserts the right to review any transfer of ownership of an intrastate common carrier pipeline operating within Louisiana to determine if the transfer is in the public interest. Should the LPSC determine that it has jurisdiction over the change in the form of ownership of the Sorrento Pipeline, the Company may be required to petition for approval of the change. Such petitions are subject to review, conditioning, and approval by the LPSC and protests by third parties. It has been LPSC practice generally to approve unopposed petitions without further inquiry. The Company is unable to predict at this time whether it will be required to petition the LPSC for approval or, if so required, if the petition would be opposed or subject to any conditions.

STATE AND LOCAL REGULATION. The Company's activities are subject to various state and local laws and regulations, as well as orders of regulatory bodies pursuant thereto, governing a wide variety of matters, including marketing, production, pricing, community right-to-know, protection of the environment, safety and other matters.

COGENERATION. The Company cogenerates electricity for internal consumption and heat for a process-related hot oil system at Mont Belvieu. If this electricity were sold to third parties, the Company's Mont Belvieu cogeneration facilities could be certified as qualifying facilities under the Public Utility Regulatory Policy Act of 1978 ("PURPA"). Subject to compliance with certain conditions under PURPA, this certification would exempt the Company from regulation under most federal laws if it sold electric power generated by the Mont Belvieu facilities. However, since such electric power is consumed entirely by the Company's plant facilities, the Company's cogeneration activities are not subject to public utility regulation under federal or Texas law.

Environmental Matters

GENERAL. The operations of the Company are subject to federal, state and local laws and regulations relating to release of pollutants into the environment or otherwise relating to protection of the environment. The Company believes that its operations and facilities are in general compliance with applicable environmental regulations. However, risks of process upsets, accidental releases or spills are associated with the Company's operations and there can be no assurance that significant costs and liabilities will not be incurred, including those relating to claims for damage to property and persons.

The clear trend in environmental regulation is to place more restrictions and limitations on activities that may affect the environment, such as emissions of pollutants, generation and disposal of wastes and use and handling of chemical substances. The usual remedy for failure to comply with these laws and regulations is the assessment of administrative, civil and, in some instances, criminal penalties or, in rare circumstances, injunctions. The Company believes that the cost of compliance with environmental laws and regulations will not have a material adverse effect on the results of operations or financial position of the Company. However, it is possible that the costs of compliance with environmental laws and regulations will continue to increase, and thus there can be no assurance as to the amount or timing of future expenditures for environmental compliance or remediation, and actual future expenditures may be different from the amounts currently anticipated. In the event of future increases in costs, the Company may be unable to pass on those increases to its customers. The Company will attempt to anticipate future regulatory requirements that might be imposed and plan accordingly in order to remain in compliance with changing environmental laws and regulations and to minimize the costs of such compliance.

SOLID WASTE. The Company currently owns or leases, and has in the past owned or leased, properties that have been used over the years for NGL processing, treatment, transportation and storage and for oil and natural gas exploration and production activities. Solid waste disposal practices within the NGL industry and other oil and natural gas related industries have improved over the years with the passage and implementation of various environmental laws and regulations. Nevertheless, a possibility exists that hydrocarbons and other solid wastes may have been disposed of on or under various properties owned by or leased by the Company during the operating history of those facilities. In addition, a small number of these properties may have been operated by third parties over whom the Company had no control as to such entities' handling of hydrocarbons or other wastes and the manner in which such substances may have been disposed of or released. State and federal laws applicable to oil and natural gas wastes and properties have gradually become more strict and, pursuant to such laws and regulations, the Company could be required to remove or remediate previously disposed wastes or property contamination including groundwater contamination. The Company does not believe that there presently exists significant surface and subsurface contamination of the Company properties by hydrocarbons or other solid wastes.

The Company generates both hazardous and nonhazardous solid wastes which are subject to requirements of the federal Resource Conservation and Recovery Act ("RCRA") and comparable state statutes. From time to time, the Environmental Protection Agency ("EPA") has considered making changes in nonhazardous waste standards that would result in stricter disposal requirements for such wastes. Furthermore, it is possible that some wastes generated by the Company that are currently classified as nonhazardous may in the future be designated as "hazardous wastes," resulting in the wastes being subject to more rigorous and costly disposal requirements. Such changes in the regulations may result in additional capital expenditures or operating expenses by the Company.

SUPERFUND. The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), also known as the "Superfund" law, and similar state laws, impose liability without regard to fault or the legality of the original conduct, on certain classes of persons, including the owner or operator of a site and companies that disposed or arranged for the disposal of the hazardous substances found at the site. CERCLA also authorizes the EPA and, in some cases, third parties to take actions in response to threats to the public health or the environment and to seek to recover from the responsible classes of persons the costs they incur. Although

"petroleum" is excluded from CERCLA's definition of a "hazardous substance," in the course of its ordinary operations the Company will generate wastes that may fall within the definition of a "hazardous substance." The Company may be responsible under CERCLA for all or part of the costs required to clean up sites at which such wastes have been disposed. The Company has not received any notification that it may be potentially responsible for cleanup costs under CERCLA.

CLEAN AIR ACT--GENERAL. The operations of the Company are subject to the Clean Air Act and comparable state statutes. Amendments to the Clean Air Act were adopted in 1990 and contain provisions that may result in the imposition of certain pollution control requirements with respect to air emissions from the operations of the pipelines and the processing and storage facilities. For example, the Mont Belvieu processing and storage facility is located in the Houston-Galveston ozone non-attainment area, which is categorized as a "severe" area and, therefore, is subject to more restrictive regulations for the issuance of air permits for new or modified facilities. The Houston-Galveston area is among nine areas in the country in this "severe" category. One of the other consequences of this non-attainment status is the potential imposition of lower limits on the emissions of certain pollutants, particularly oxides of nitrogen which are produced through combustion, as in the gas turbines at the Mont Belvieu processing facility. Regulations imposing these new requirements on existing facilities will not be promulgated until the end of 2000 and, therefore, it is impossible at this time to assess the impact these requirements may have on the Company's operations. Failure to comply with these air statutes or the implementing regulations may lead to the assessment of administrative, civil or criminal penalties, and/or result in the limitation or cessation of construction or operation of certain air emission sources. As part of the regular overall evaluation of its current operations, the Company is updating certain of its operating permits. The Company believes that its operations, including its processing facilities, pipelines and storage facilities, are in substantial compliance with applicable air requirements.

CLEAN AIR ACT--FUELS. To implement the Clean Air Act Amendments of 1990, the EPA, in November 1992, began requiring the use of motor gasoline containing 2.7% oxygen by weight during winter months in carbon monoxide non-attainment areas along the front range of the Rocky Mountains (41 metropolitan areas). Since January 1995, the EPA has required the use of motor gasoline containing 2.0% oxygen by weight throughout the year in extreme and severe ozone non-attainment areas (nine metropolitan areas). The production of MTBE is driven by the compliance with the requirements of these oxygenated fuels programs. Any changes to these programs that enable localities to opt out of these programs, lessen the requirements for oxygenates or favor the use of non-isobutane based oxygenated fuels would reduce demand for the Company's MTBE and could have a material adverse effect on the Company's results of operations. In California, state authorities negotiated an agreement with the EPA to implement a program requiring oxygenated motor gasoline at 2.0% for the whole state, rather than 2.7% only in selected areas. In addition, legislation to amend the Clean Air Act has been introduced in Congress to exempt California from the federal oxygenate requirements for reformulated motor gasoline. If this legislation is enacted, refiners could eliminate or reduce the amount of MTBE from motor gasoline sold in California so long as certain other minimum standards are met. This federal legislation is opposed by both the federal Department of Energy and the EPA.

CLEAN WATER ACT. The Federal Water Pollution Control Act, also known as the Clean Water Act, and similar state laws require containment of potential discharges of contaminants into federal and state waters. Regulations promulgated pursuant to these laws require that entities such as the Company that discharge into federal and state waters obtain National Pollutant Discharge Elimination System ("NPDES") and/or state permits authorizing these discharges. The Clean Water Act and analogous state laws provide penalties for releases of unauthorized contaminants into the water and impose substantial liability for the costs of removing spills from such waters. In addition, the Clean Water Act and analogous state laws require that individual permits or coverage under general permits be obtained by covered facilities for discharges of stormwater runoff. The Company believes that it will be able to obtain, or be included under, these Clean Water Act permits and that compliance with the conditions of such permits will not have a material effect on the Company.

UNDERGROUND STORAGE REQUIREMENTS. The Company currently owns and operates underground storage caverns that have been created in naturally occurring salt domes in Texas, Louisiana and Mississippi. These

storage caverns are used to store NGLs, NGL products, propane/propylene mix and propylene. Surface brine pits and brine disposal wells are used in the operation of the storage caverns. All of these facilities are subject to strict environmental regulation by state authorities under the Texas Natural Resources Code and similar statutes in Louisiana and Mississippi. Regulations implemented under such statutes address the operation, maintenance and/or abandonment of such underground storage facilities, pits and disposal wells, and require that permits be obtained. Failure to comply with the governing statutes or the implementing regulations may lead to the assessment of administrative, civil or criminal penalties. The Company believes that its salt dome storage operations, including the caverns, brine pits and brine disposal wells, are in substantial compliance with applicable statutes.

Safety Regulation

The Company's pipelines are subject to regulation by the U.S. Department of Transportation under the Hazardous Liquid Pipeline Safety Act, as amended ("HLPSA"), relating to the design, installation, testing, construction, operation, replacement and management of pipeline facilities. The HLPSA covers crude oil, carbon dioxide, NGL and petroleum products pipelines and requires any entity which owns or operates pipeline facilities to comply with the regulations under the HLPSA, to permit access to and allow copying of records and to make certain reports and provide information as required by the Secretary of Transportation. The Company believes that its pipeline operations are in substantial compliance with applicable HLPSA requirements; however, due to the possibility of new or amended laws and regulations or reinterpretation of existing laws and regulations, there can be no assurance that future compliance with the HLPSA will not have a material adverse effect on the Company's results of operations or financial position.

The workplaces associated with the processing and storage facilities and the pipelines operated by the Company are also subject to the requirements of the federal Occupational Safety and Health Act ("OSHA") and comparable state statutes. The Company believes that it has operated in substantial compliance with OSHA requirements, including general industry standards, record keeping requirements and monitoring of occupational exposure to regulated substances.

In general, the Company expects expenditures will increase in the future to comply with likely higher industry and regulatory safety standards such as those described above. Such expenditures cannot be accurately estimated at this time, although the Company does not expect that such expenditures will have a material adverse effect on the Company.

TITLE TO PROPERTIES

EPCO will transfer (by operation of law or otherwise) substantially all of its properties to the Company without warranty prior to the consummation of this offering. Real property that will be transferred by EPCO to the Company falls into two basic categories: (a) parcels which EPCO owns in fee, such as land at the Mont Belvieu complex and Petal fractionation and storage facility, and (b) parcels where EPCO's interest derives from leases, easements, rights-of-way, permits or licenses from landowners or governmental authorities permitting the use of such land for EPCO's operations. The fee sites upon which major facilities are located have been owned by EPCO or its predecessors in title for many years without any material challenge known to EPCO relating to title to the land upon which the assets are located, and EPCO believes it has satisfactory title to such fee sites. EPCO has no knowledge of any challenge to the underlying fee title of any material lease, easement, right-of-way or license held by it or to its title to any material lease, easement, right-of-way, permit or lease, and EPCO believes that it has satisfactory title to all of its material leases, easements, rights-of-way and licenses.

Some of the leases, easements, rights-of-way, permits and licenses to be transferred to the Company require the consent of the grantor of such rights, which in certain instances is a governmental entity. EPCO expects to obtain, prior to the closing of this offering, third-party consents, permits and authorizations which will be sufficient to enable EPCO to transfer to the Company the assets necessary to enable the Company to operate its business in all material respects as described in this Prospectus. With respect to any material consents, permits

or authorizations which have not been obtained prior to closing of this offering, the closing of this offering will not occur unless reasonable bases exist that permit the General Partner to conclude that such consents, permits, or authorizations will be obtained within a reasonable period following the closing, or the failure to obtain such consents, permits or authorizations will have no material adverse effect on the operation of the Company's business. If any such consents are not so obtained, EPCO will enter into other agreements, or take such other action as it deems necessary, in order to ensure that the Company has the assets and concomitant rights necessary to enable it to operate the Company's business in all material respects as described in this Prospectus. In addition, if all desired consents to assignment have not been obtained prior to the closing, the Company may decide to acquire the easements, licenses or authorizations for which consent to assignment has not been obtained through the power of eminent domain in the states and with respect to the pipelines where such rights is available to the Company as described below.

The Company has been advised by counsel in the States of Alabama, Louisiana, Mississippi and Texas that the Company will have the power of eminent domain in such states with respect to the Chunchula pipeline system and the Lake Charles/Bayport propylene pipeline system following the transfer of such pipelines to the Company, assuming the Company meets certain requirements, which differ from state to state. While there can be no assurance, the Company believes it will meet such requirements in such states.

EPCO or its affiliates initially may continue to hold record title to portions of certain assets until the Company has had time to make the appropriate filings in the jurisdictions in which such assets are located and to obtain any consents and approvals that are not obtained prior to transfer. Such consents and approvals would include those required by federal and state agencies or political subdivisions. In some cases, EPCO or its affiliates may, where required consents or approvals have not been obtained, temporarily hold record title to property as nominee for the benefit of the Company and in other cases may, on the basis of expense and difficulty associated with the conveyance of title, cause its affiliates to retain title, as nominees for the benefit of the Company, until a future date. It is anticipated that there will be no material change in the tax treatment of the Company or the Common Units resulting from the holding by EPCO or its affiliates of title to any part of such assets subject to future conveyance or as nominee for the benefit of the Company. No legal opinion has been obtained with regard to the risk, if any, of the holding by EPCO or its affiliates of record title to some portion of such assets as nominee for the benefit of the Company.

The Company's title to properties will be subject to any presently existing encumbrances or title defects. The Company's books and records will at all times reflect its ownership of the properties conveyed to it by EPCO. The instruments of transfer from EPCO to the Company will not, however, be recorded initially and, therefore, the real property records in various jurisdictions will reflect record title in EPCO. EPCO expects to complete the transfer of record title to real property to the Company as soon as practicable after the consummation of this offering. Until such record title is held by Company, it is possible that real property owned by the Company but held of record by EPCO could, in some jurisdictions, be subject to the claims of EPCO's creditors. EPCO is of the opinion, however, that this procedure presents little, if any, risk for the Company, because it anticipates that its activities will be limited. Properties acquired by the Company after the consummation of this offering generally will be acquired and held of record in the Company's name.

Numerous licenses, permits, registrations and rights will be required for the operation of the Company's business, including licenses, permits, registrations and rights within the jurisdiction of various state and other governmental agencies and authorities. In the event that the Company has not obtained all licenses, permits, registrations or rights at the time of closing of the offering, EPCO may continue to hold title to and to conduct the business affected by such licensees, permits, registrations or rights in its own name, but for the benefit of the Company, until such licenses, permits, registrations or rights have been obtained. As a result, the General Partner believes that any such failure to obtain such licenses, permits, registrations or rights will not have a material adverse impact on the business of the Company.

EMPLOYEES

At March 31, 1998, EPCO employed approximately 500 employees, none of whom were members of a union.

LITIGATION

EPCO has been, in the ordinary course of business, involved in a number of legal and administrative proceedings, none of which has had a material adverse effect on EPCO's results of operation or financial condition. All of EPCO's current legal and administrative proceedings will be retained by EPCO and will not be assumed by the Company.

MANAGEMENT

COMPANY MANAGEMENT

The General Partner will manage and operate the activities of the Company. Unitholders will not directly or indirectly participate in the management or operation of the Company or have actual or apparent authority to enter into contracts on behalf of, or to otherwise bind, the Company. Notwithstanding any limitation on its obligations or duties, the General Partner will be liable, as the general partner of the Company, for all debts of the Company (to the extent not paid by the Company), except to the extent that indebtedness or other obligations incurred by the Company are made specifically non-recourse to the General Partner. Whenever possible, the General Partner intends to make any such indebtedness or other obligations non-recourse to the General Partner.

At least two of the members of the Board of Directors of the General Partner who are neither officers, employees or security holders of the General Partner nor directors, officers, employees or security holders of any affiliate of the General Partner will serve on the Audit and Conflicts Committee, which will have the authority to review specific matters as to which the Board of Directors believes there may be a conflict of interests in order to determine if the resolution of such conflict proposed by the General Partner is fair and reasonable to the Company. Any matters approved by the Audit and Conflicts Committee will be conclusively deemed to be fair and reasonable to the Company, approved by all partners of the Company and not a breach by the General Partner or its Board of Directors of any duties they may owe the Company or the Unitholders. See "Conflicts of Interest and Fiduciary Responsibilities--Fiduciary and Other Duties." In addition, the Audit and Conflicts Committee will review the external financial reporting of the Company, will recommend engagement of the Company's independent public accountants, will review the Company's procedures for internal auditing and the adequacy of the Company's internal accounting controls and will approve any increases in the administrative service fee payable under the EPCO Agreement.

As is commonly the case with publicly-traded limited partnerships, the Company will not directly employ any of the persons responsible for managing or operating the Company. In general, the current management of EPCO, the sole member of the General Partner, will manage and operate the Company's business pursuant to the EPCO Agreement.

DIRECTORS, EXECUTIVE OFFICERS AND KEY EMPLOYEES OF THE GENERAL PARTNER

Set forth below is the name, age as of the date of this Prospectus, and position of each of the directors and executive officers of the General Partner as they will exist at the closing of the Offering. Each director and officer is elected for a one-year term.

NAME	AGE	POSITION WITH GENERAL PARTNER
Dan L. Duncan	65	Chairman of the Board and Director
O.S. Andras	62	President, Chief Executive Officer and Director
Randa L. Duncan	36	Group Executive Vice President and Director
Albert W. Bell	59	Executive Vice President, Business Management
Gary L. Miller	49	Executive Vice President, Chief Financial Officer, Treasurer and Director
William D. Ray	63	Executive Vice President, Marketing and Supply
Charles E. Crain	64	Senior Vice President, Operations
Michael R. Johnson	53	General Counsel and Secretary
Dr. Ralph S. Cunningham(1)	57	Director
Lee W. Marshall, Sr.(1)	65	Director

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(1) Member of the Audit and Conflicts Committee

Dan L. Duncan will serve as Chairman of the Board and a Director of the General Partner. Mr. Duncan joined EPCO in 1969. He served as President of EPCO from 1970 to 1979 and CEO from 1982 to 1995. He has served as Chairman of the Board of EPCO since 1979.

O. S. Andras will serve as President, Chief Executive Officer and a Director of the General Partner. Mr. Andras has served as President and Chief Executive Officer of EPCO since 1995. Mr Andras served as President and Chief Operating Officer of EPCO from 1982 to 1995 and Executive Vice President of EPCO from 1981 to 1982. Before joining EPCO, he was employed by The Dow Chemical Company in various capacities from 1960 to 1981, including Director of Hydrocarbons.

Randa L. Duncan will serve as Group Executive Vice President and a director of the General Partner. Ms. Duncan has served as Group Executive Vice President of EPCO since 1994. Before joining EPCO, she was an attorney with the firms of Butler & Binion from 1988 to 1991 and Brown, Sims, Wise and White from 1991 until 1994. Ms. Duncan is the daughter of Dan L. Duncan.

Albert W. Bell will serve as Executive Vice President, Business Management of the General Partner. Mr. Bell has served as Executive Vice President, Business Management of EPCO since 1994. Mr. Bell joined EPCO in 1980 as General Manager of its Canadian subsidiary, was promoted to Vice President and General Manager of the subsidiary in 1981 and was appointed President of the subsidiary in 1982. Mr. Bell transferred to EPCO in Houston in 1988 as Vice President, Business Development and was promoted to Senior Vice President, Business Management in 1992. Prior to joining EPCO, he was employed by Continental Emsco Supply Company, Ltd. and Amoco Canada Petroleum Company, Ltd.

Gary L. Miller will serve as Executive Vice President, Chief Financial Officer, Treasurer and Director of the General Partner. Mr. Miller has served as Executive Vice President, Chief Financial Officer and Treasurer of EPCO since 1990. He served as Senior Vice President, Controller and Treasurer of EPCO from 1988 to 1990. From 1983 to 1988 he served as Vice President, Treasurer and Controller of EPCO. Before joining EPCO, he was employed by Wanda Petroleum, where he was Assistant Controller from 1977 to 1980.

William D. Ray will serve as Executive Vice President, Marketing and Supply of the General Partner. Mr. Ray has served as EPCO's Executive Vice President, Marketing and Supply of EPCO since 1988. Mr. Ray served as Vice President, Marketing and Supply of EPCO from 1971 to 1980 and from 1983 to 1988. Prior to joining EPCO in 1971, Mr. Ray was employed by Wanda Petroleum from 1958 to 1969 and Koch Industries as Vice President, Marketing & Supply from 1969 to 1971.

Charles E. Crain will serve as Senior Vice President, Operations of the General Partner and has served as Senior Vice President, Operations of EPCO since 1991. Mr. Crain joined EPCO in 1980 as Vice President, Process Operations. Prior to joining EPCO, Mr. Crain held positions with Shell Oil Company, Air Products & Chemicals and Tenneco Chemicals.

Michael R. Johnson will serve as General Counsel and Secretary of the General Partner and has served as General Counsel and Secretary of EPCO since 1982. Mr. Johnson joined EPCO as Senior Attorney in 1979. Before joining EPCO, Mr. Johnson was employed by the Internal Revenue Service for six years and spent two years in private practice in Tyler, Texas. Mr. Johnson also worked for the Department of Energy on the regional counsel staff of the Office of Special Counsel.

Ralph S. Cunningham will serve as a Director of the General Partner. Dr. Cunningham retired in 1997 from Citgo Petroleum Corporation, where he had served as President and Chief Executive Officer since 1995. Previously, Dr. Cunningham had been Vice Chairman of Huntsman Corporation and held executive positions in the refining and petrochemical industries with Texaco Chemical, Clark Oil & Refining and Tenneco. He started his career in Exxon's refinery operations. He holds Ph.D., M.S. and B.S. degrees in Chemical Engineering. Dr. Cunningham served as a director of EPCO from 1987 to 1997.

Lee W. Marshall, Sr. will serve as a Director of the General Partner. Mr. Marshall has been the Chief Executive Officer and principal stockholder of Bison International, Inc., and Bison Resources, LLC since 1991. Previously, Mr. Marshall was Executive Vice President and Chief Financial Officer of Wolverine Exploration Company and held senior management positions with Union Pacific Resources and Tenneco Oil.

EXECUTIVE COMPENSATION

The Company and the General Partner were formed in April 1998. Accordingly, the General Partner paid no compensation to its directors and officers with respect to 1997, and none of EPCO's management compensation or benefits with respect to its officers and directors were allocated to the Company.

COMPENSATION OF DIRECTORS

No additional remuneration will be paid to employees of EPCO or the General Partner who also serve as directors of the General Partner. The General Partner anticipates that each independent director will receive $24,000 annually, for which they each agree to participate in four regular meetings of the Board of Directors and four Audit and Conflicts Committee meetings. Each non-employee director will receive $500 for each additional meeting in which he participates. In addition, each non-employee director will be reimbursed for his out-of-pocket expenses in connection with attending meetings of the Board of Directors or committees thereof. Each director will be fully indemnified by the Company for his actions associated with being a director to the extent permitted under Delaware law.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the beneficial ownership of Units that will be issued upon the consummation of the Transactions and held by beneficial owners of 5% or more of the Units, by directors of the General Partner and by all directors and executive officers of the General Partner as a group.

NAME OF BENEFICIAL OWNER	COMMON UNITS TO BE BENEFICIALLY OWNED	PERCENTAGE OF COMMON UNITS TO BE BENEFICIALLY OWNED	SUBORDINATED UNITS TO BE BENEFICIALLY OWNED	PERCENTAGE OF SUBORDINATED UNITS TO BE BENEFICIALLY OWNED	PERCENTAGE OF TOTAL UNITS TO BE BENEFICIALLY OWNED
Enterprise Products Company(1)	33,022,222	65.8%	23,604,444	100%	76.7%
Dan L. Duncan(1)	33,022,222	65.8	23,604,444	100	76.7
O.S. Andras	--	--	--	--	--
Randa L. Duncan	--	--	--	--	--
Gary L. Miller	--	--	--	--	--
Dr. Ralph S. Cunningham	--	--	--	--	--
Lee W. Marshall	--	--	--	--	--
All directors and executive officers as a group (10 persons)	33,022,222	65.8%	23,604,444	100%	76.7%

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(1) EPCO will hold the Units through its wholly-owned subsidiary EPC Partners II, Inc. Mr. Duncan owns 57.1% of the voting stock of EPCO and, accordingly, exercises sole voting and dispositive power with respect to the Units held by EPCO. The remaining shares of EPCO capital stock are held primarily by trusts for the benefit of members of Mr. Duncan's family, including Randa L. Duncan, a director and executive officer of the Company. The address of EPCO is 2727 North Loop West, Houston, Texas 77008.

RELATIONSHIPS WITH EPCO AND RELATED PARTY TRANSACTIONS

OWNERSHIP INTERESTS OF EPCO AND ITS AFFILIATES IN THE COMPANY

After this offering, a wholly owned subsidiary of EPCO, the sole member of the General Partner, will own 33,022,222 Common Units and 23,604,444 Subordinated Units, representing a 43.8% interest and a 31.3% interest, respectively, in the Company and the Operating Partnership on a combined basis. In addition, the General Partner will own a combined 2% interest in the Company and the Operating Partnership.

RELATED PARTY AGREEMENTS GIVING EFFECT TO THE TRANSACTIONS

In connection with the Transactions, the Company, the Operating Partnership, the General Partner, EPCO and certain other parties will enter into various documents and agreements that will generally govern the Transactions, including the transfer of certain assets to and the assumption of certain liabilities by the Operating Partnership. Such documents and agreements will not be the result of arm's-length negotiations, and there can be no assurance that it, or that any of the transactions provided for therein, will be effected on terms at least as favorable to the parties to such agreement as could have been obtained from unaffiliated third parties. All of the transaction expenses incurred in connection with the Transactions, including the expenses associated with transferring assets into the Operating Partnership, will be paid from the proceeds of this offering.

RELATED PARTY TRANSACTIONS

The Company will have extensive ongoing relationships with EPCO and its affiliates. These relationships will include the following:

(i) All management, administrative and operating functions for the Company will be performed by officers and employees of EPCO pursuant to the terms of the EPCO Agreement. Under the EPCO Agreement, EPCO will also employ the operating personnel involved in the Company's business and be reimbursed at cost (see "The Transactions--EPCO Agreement").

(ii) EPCO is and will continue as operator of the plants and facilities owned by BEF and Mont Belvieu Associates and in connection therewith will charge such entities for actual salary costs and related fringe benefits. As operator of such facilities, EPCO also is entitled to be reimbursed for the cost of providing certain administrative services to such entities, which costs totaled $1.1 million in the aggregate for each of the years ended December 31, 1995, 1996 and 1997.

(iii) Although EPCO will transfer a 49% economic interest in Mont Belvieu Associates to the Company, the Company will not be a partner in such partnership. EPCO will retain a 1% economic interest in such partnership and, except for the economic rights transferred by EPCO to the Company, will continue to hold all rights as a partner under the partnership agreement for Mont Belvieu Associates, including the right to participate in the management and conduct of the business and affairs of such entity.

(iv) EPCO and the Company will enter into an agreement pursuant to which EPCO will provide trucking services to the Company.

(v) EPCO will retain the Retained Leases and will, pursuant to the terms of the EPCO Agreement, sublease all of the facilities covered by the Retained Leases to the Company for $1 per year and will assign its purchase options under the Retained Leases to the Company.

(vi) Pursuant to the EPCO Agreement, the Company and the Operating Partnership will participate as named insureds in EPCO's current insurance program, and costs attributable thereto will be allocated among the parties on the basis of formulas set forth in such agreement.

(vii) In the normal course of its business, the Company will also engage in transactions with BEF, Mont Belvieu Associates and other subsidiaries and divisions of EPCO. These transactions include the buying and selling of NGL products and the transportation of NGL products by truck.

CONFLICTS OF INTEREST AND FIDUCIARY RESPONSIBILITIES

CONFLICTS OF INTEREST

The General Partner will make all decisions relating to the management of the Company. EPCO owns all of the issued and outstanding equity interests of the General Partner and upon the closing of this offering, a wholly-owned subsidiary of EPCO will own Common Units and Subordinated Units representing a combined 75.1% limited partner interest in the Company. Certain conflicts of interest exist and may arise in the future as a result of the relationships between the General Partner, EPCO and their affiliates, on the one hand, and the Company and its limited partners, on the other hand. The directors and officers of the General Partner have fiduciary duties to manage the General Partner, including its investments in its subsidiaries and affiliates, in a manner beneficial to its sole member, EPCO. At the same time, the General Partner has a fiduciary duty to manage the Company in a manner beneficial to the Company and the Unitholders. The Partnership Agreement contains provisions that allow the General Partner to take into account the interests of parties in addition to the Company in resolving conflicts of interest, thereby limiting its fiduciary duty to the Unitholders, as well as provisions that may restrict the remedies available to Unitholders for actions taken that might, without such limitations, constitute breaches of fiduciary duty. The duty of the directors and officers of the General Partner to its sole member may, therefore, come into conflict with the duties of the General Partner to the Company and the Unitholders. The Audit and Conflicts Committee of the Board of Directors of the General Partner will, at the request of the General Partner, review (and is one of the means of resolving) conflicts of interest that may arise between the General Partner, EPCO or their affiliates, on the one hand, and the Company, on the other. See "Management--Company Management" and "Conflicts of Interest and Fiduciary Responsibilities--Fiduciary and Other Duties."

The fiduciary obligations of general partners is a developing area of law. The provisions of the Delaware Act that allow the fiduciary duties of a general partner to be waived or restricted by a partnership agreement have not been resolved in a court of law, and the General Partner has not obtained an opinion of counsel covering the provisions set forth in the Partnership Agreement that purport to waive or restrict fiduciary duties of the General Partner. Unitholders should consult their own legal counsel concerning the fiduciary responsibilities of the General Partner and its officers and directors and the remedies available to the Unitholders.

Conflicts of interest could arise with respect to the situations described below, among others:

Certain Actions Taken by the General Partner May Affect the Amount of Cash Available for Distribution to Unitholders or Accelerate the Conversion of Subordinated Units

Decisions of the General Partner with respect to the amount and timing of cash expenditures, borrowings, asset sales or acquisitions, issuances of additional partnership interests and the creation, reduction or increase of reserves in any quarter will affect whether, or the extent to which, there is sufficient Available Cash from Operating Surplus to meet the Minimum Quarterly Distribution and Target Distributions Levels on all Units in such quarter or in subsequent quarters. The Partnership Agreement provides that any borrowings by the Company or the approval thereof by the General Partner shall not constitute a breach of any duty owed by the General Partner to the Company or the Unitholders, including borrowings that have the purpose or effect, directly or indirectly, of enabling the General Partner and its affiliates to receive distributions on the Subordinated Units or the Incentive Distributions or hasten the expiration of the Subordination Period or the conversion of the Subordinated Units into Common Units. The Partnership Agreement provides that the Company and the Operating Partnership may borrow funds from the General Partner and its affiliates. The General Partner and its affiliates may not borrow funds from the Company or the Operating Partnership. Furthermore, any actions taken by the General Partner consistent with the standards of reasonable discretion set forth in the definitions of Available Cash, Operating Surplus and Capital Surplus will be deemed not to constitute a breach of any duty of the General Partner to the Company or the Unitholders.

The Company Will Not Have Any Employees and Will Rely on the Employees of the General Partner and its Affiliates.

The Company will not have any employees and will rely solely on employees of EPCO and its affiliates, including the General Partner. EPCO and its affiliates other than the General Partner will or may conduct business and activities of their own in which the Company will have no economic interest. Although such separate activities of EPCO and its affiliates are immaterial in relation to the activities of the Company, there could be competition between the Company and EPCO for the time and effort of employees who provide services to the General Partner. Although it is anticipated that the officers and employees of EPCO will be devoting substantially all of their time towards the business of the Company, such officers and employees will not be required to spend any specified percentage or amount of their time on the business of the Company and will be free to spend time on business of EPCO unrelated to the business of the Company.

The Company Will Reimburse the General Partner and Its Affiliates for Certain Expenses

Under the terms of the Partnership Agreement, the General Partner and its affiliates will be reimbursed by the Company for certain expenses incurred on behalf of the Company, including costs incurred in providing corporate staff and support services to the Company. The Partnership Agreement provides that the General Partner will determine the expenses that are allocable to the Company in any reasonable manner determined by the General Partner in its sole discretion. See "The Transactions--EPCO Agreement."

The General Partner Intends to Limit Its Liability with Respect to the Company's Obligations

Whenever possible, the General Partner intends to limit the Company's liability under contractual arrangements to all or particular assets of the Company, with the other party thereto having no recourse against the General Partner or its assets. The Partnership Agreement provides that any action by the General Partner in so limiting the liability of the General Partner or that of the Company will not be deemed to be a breach of the General Partner's fiduciary duties, even if the Company could have obtained more favorable terms without such limitation on liability.

Common Unitholders Will Have No Right to Enforce Obligations of the General Partner and Its Affiliates Under Agreements with the Company

The agreements between the Company and the General Partner do not grant to the Unitholders, separate and apart from the Company, the right to enforce the obligations of the General Partner and its affiliates in favor of the Company. Therefore, the Company will be primarily responsible for enforcing such obligations.

Contracts Between the Company, on the One Hand, and the General Partner and Its Affiliates, on the Other, Will Not be the Result of Arm's-Length Negotiations

Under the terms of the Partnership Agreement, the Company is not restricted from paying the General Partner or its affiliates for any services rendered (provided such services are rendered on terms fair and reasonable to the Company) or entering into additional contractual arrangements with any of them on behalf of the Company. Neither the Partnership Agreement nor any of the other agreements, contracts and arrangements between the Company, on the one hand, and the General Partner and its affiliates, on the other, are or will be the result of arm's-length negotiations. All of such transactions entered into after the sale of the Common Units offered in this offering are to be on terms which are fair and reasonable to the Company, provided that any transaction shall be deemed fair and reasonable if (i) such transaction is approved by the Audit and Conflicts Committee, (ii) its terms are no less favorable to the Company than those generally being provided to or available from unrelated third parties or (iii) taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Company), the transaction is fair to the Company. The General Partner and its affiliates will have no obligation to permit the

Company to use any facilities or assets of the General Partner and such 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 of the General Partner and its affiliates to enter into any such contracts.

Common Units Are Subject to the General Partner's Limited Call Right

The General Partner may exercise its right to call and purchase Common Units as provided in the Partnership Agreement or assign such right to one of its affiliates or to the Company. The General Partner may use its own discretion, free of fiduciary duty restrictions, in determining whether to exercise such right. As a consequence, a Common Unitholder may have his Common Units purchased from him even though he may not desire to sell them, and the price paid may be less than the amount the holder would desire to receive upon sale of his Common Units. For a description of such right, see "The Partnership Agreement--Limited Call Right."

The Company May Retain Separate Counsel for Itself or for the Holders of Common Units; Advisors Retained by the Company for this Offering Have Not Been Retained to Act for Holders of Common Units

The Common Unitholders have not been represented by counsel in connection with the preparation of the Partnership Agreement or other agreements referred to herein or in establishing the terms of this offering. The attorneys, independent public accountants and others who have performed services for the Company in connection with this offering have been retained by the General Partner, its affiliates and the Company and may continue to be retained by the General Partner, its affiliates and the Company after this offering. Attorneys, independent public accountants and others who will perform services for the Company in the future will be selected by the General Partner or the Audit and Conflicts Committee and may also perform services for the General Partner and its affiliates. The Company may retain separate counsel for itself or the holders of Common Units in the event of a conflict of interest arising between the General Partner and its affiliates, on the one hand, and the Company or the holders of Common Units, on the other, after the sale of the Common Units offered hereby, depending on the nature of such conflict, but it does not intend to do so in most cases.

The General Partner's Affiliates May Compete with the Company Under Certain Circumstances

The General Partner may not engage in any business or activity or incur any debts or liabilities except in connection with or incidental to (i) its performance of its obligations as a general partner of the Company or one or more affiliates of the Company, (ii) the acquiring, owning or disposing of debt or equity securities of the Company or such affiliates and (iii) permitting its employees to perform services for its affiliates. On the other hand, except for certain restrictions set forth in the EPCO Agreement, EPCO and its affiliates (other than the General Partner) will be free to engage in any type of business or activity whatsoever, including those that may be in direct competition with the Company. Pursuant to the EPCO Agreement, for so long as the General Partner is an affiliate of EPCO, EPCO and its affiliates will be prohibited from engaging in any business or activity within North America that is of the type currently conducted by EPCO and its affiliates (other than businesses or activities of the type associated with the Retained Assets), unless EPCO or such affiliate has first presented the opportunity to engage in such business or activity to the Company, the General Partner has elected not to have the Company pursue such opportunity and the Audit and Conflicts Committee approves such decision. Except for the continued ownership and operation by EPCO and its affiliates of the Retained Assets, it is not currently contemplated that EPCO and its affiliates will own or operate any assets or conduct any activities that are material relative to the assets and operations of the Company. Notwithstanding such fact, conflicts of interest may arise between affiliates of the General Partner on the one hand, and the Company, on the other, and there can be no assurance that there will not be competition between the Company and affiliates of the General Partner.

FIDUCIARY AND OTHER DUTIES

The General Partner will be accountable to the Company and the Unitholders as a fiduciary. Consequently, the General Partner must exercise good faith and integrity in handling the assets and affairs of the Company. In contrast to the relatively well-developed law concerning fiduciary duties owed by officers and directors to the shareholders of a corporation, the law concerning the duties owed by a general partner to other partners and to

partnerships is relatively undeveloped. Neither the Delaware Revised Uniform Limited Partnership Act (the "Delaware Act") nor case law defines with particularity the fiduciary duties owed by a general partner to limited partners or a limited partnership, but the Delaware Act provides that Delaware limited partnerships may, in their partnership agreements, restrict or expand the fiduciary duties that might otherwise be applied by a court in analyzing the standard of duty owed by a general partner to limited partners and the partnership.

Fiduciary duties are generally considered to include an obligation to act with the highest good faith, fairness and loyalty. Such duty of loyalty, in the absence of a provision in a partnership agreement providing otherwise, would generally prohibit a general partner of a Delaware limited partnership from taking any action or engaging in any transaction as to which it has a conflict of interest. In order to induce the General Partner to manage the business of the Company, the Partnership Agreement, as permitted by the Delaware Act, contains various provisions intended to have the effect of restricting the fiduciary duties that might otherwise be owed by the General Partner to the Company and its partners and waiving or consenting to conduct by the General Partner and its affiliates that might otherwise raise issues as to compliance with fiduciary duties or applicable law.

The Partnership Agreement provides that in order to become a limited partner of the Company, a holder of Common Units is required to agree to be bound by the provisions thereof, including the provisions discussed above. This is in accordance with the policy of the Delaware Act favoring the principle of freedom of contract and the enforceability of partnership agreements. The failure of a limited partner or assignee to sign a partnership agreement does not render the partnership agreement unenforceable against such person.

The Partnership Agreement provides that whenever a conflict arises between the General Partner or its affiliates, on the one hand, and the Company or any other partner, on the other, the General Partner shall resolve such conflict. The General Partner in general shall not be in breach of its obligations under the Partnership Agreement or its duties to the Company or the Unitholders if the resolution of such conflict is fair and reasonable to the Company, and any resolution shall conclusively be deemed to be fair and reasonable to the Company if such resolution is (i) approved by the Audit and Conflicts Committee (although no party is obligated to seek such approval and the General Partner may adopt a resolution or course of action that has not received such approval), (ii) on terms no less favorable to the Company than those generally being provided to or available from unrelated third parties or (iii) fair to the Company, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Company). In resolving such conflict, the General Partner may (unless the resolution is specifically provided for in the Partnership Agreement) consider the relative interests of the parties involved in such conflict or affected by such action, any customary or accepted industry practices or historical dealings with a particular person or entity and, if applicable, generally accepted accounting practices or principles and such other factors as it deems relevant. Thus, unlike the strict duty of a fiduciary who must act solely in the best interests of his beneficiary, the Partnership Agreement permits the General Partner to consider the interests of all parties to a conflict of interest, including the interests of the General Partner. In connection with the resolution of any conflict that arises, unless the General Partner has acted in bad faith, the action taken by the General Partner shall not constitute a breach of the Partnership Agreement, any other agreement or any standard of care or duty imposed by the Delaware Act or other applicable law. The Company also provides that in certain circumstances the General Partner may act in its sole discretion, in good faith or pursuant to other appropriate standards.

The Delaware Act provides that a limited partner may institute legal action on behalf of the partnership (a partnership derivative action) to recover damages from a third party where the general partner has refused to institute the action or where an effort to cause the general partner to do so is not likely to succeed. In addition, the statutory or case law of certain jurisdictions may permit a limited partner to institute legal action on behalf of himself and all other similarly situated limited partners (a class action) to recover damages from a general partner for violations of its fiduciary duties to the limited partners.

The Partnership Agreement also provides that any standard of care and duty imposed thereby or under the Delaware Act or any applicable law, rule or regulation will be modified, waived or limited, to the extent permitted by law, as required to permit the General Partner and its officers and directors to act under the

Partnership Agreement or any other agreement contemplated therein and to make any decisions pursuant to the authority prescribed in the Partnership 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 Company. Further, the Partnership Agreement provides that the General Partner and its officers and directors will not be liable for monetary damages to the Company, the limited partners or assignees for errors of judgment or for any acts or omissions if the General Partner and such other persons acted in good faith.

In addition, under the terms of the Partnership Agreement, the Company is required to indemnify the General Partner and its officers, directors, employees, affiliates, partners, members, agents and trustees, to the fullest extent permitted by law, against liabilities, costs and expenses incurred by the General Partner or such other persons, if the General Partner or such persons acted in good faith and in a manner they reasonably believed to be in, or not opposed to, the best interests of the Company and, with respect to any criminal proceedings, had no reasonable cause to believe their conduct was unlawful. See "The Partnership Agreement--Indemnification." Thus, the General Partner could be indemnified for its negligent acts if it meets such requirements concerning good faith and the best interests of the Company.

DESCRIPTION OF THE COMMON UNITS

Upon consummation of this offering, the Common Units will be registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder, and the Company will be subject to the reporting and certain other requirements of the Exchange Act. The Company will be required to file periodic reports containing financial and other information with the Commission.

Purchasers of Common Units in this offering and subsequent transferees of Common Units (or their brokers, agents or nominees on their behalf) who wish to become Unitholders of record will be required to execute Transfer Applications, the form of which is included as Appendix B to this Prospectus, before the purchase or transfer of such Common Units will be registered on the records of the Transfer Agent and before cash distributions or federal income tax allocations can be made to the purchaser or transferee. The Company will be entitled to treat the nominee holder of a Common Unit as the absolute owner thereof, and the beneficial owner's rights will be limited solely to those that it has against the nominee holder as a result of or by reason of any understanding or agreement between such beneficial owner and nominee holder.

THE UNITS

The Common Units and the Subordinated Units represent limited partner interests in the Company, which entitle the holders thereof to participate in Company distributions and exercise the rights or privileges available to limited partners under the Partnership Agreement. For a description of the relative rights and preferences of holders of Common Units and Subordinated Units in and to Company distributions, together with a description of the circumstances under which Subordinated Units may convert into Common Units, see "Cash Distribution Policy." For a description of the rights and privileges of limited partners under the Partnership Agreement, see "The Partnership Agreement."

TRANSFER AGENT AND REGISTRAR

Duties

will serve as registrar and transfer agent (the "Transfer Agent") for the Common Units and will receive a fee from the Company for serving in such capacities. All fees charged by the Transfer Agent for transfers of Common Units will be borne by the Company and not by the holders of Common Units, except that fees similar to those customarily paid by stockholders for surety bond premiums to replace lost or stolen certificates, taxes and other governmental charges, special charges for services requested by a holder of a Common Unit and other similar fees or charges will be borne by the affected holder. There will be no charge to holders for disbursements of the Company's cash distributions. The Company will indemnify the Transfer Agent, its agents and each of their respective shareholders, directors, officers and employees against all claims and losses that may arise out of acts performed or omitted in respect of its activities as such, except for any liability due to any negligence, gross negligence, bad faith or intentional misconduct of the indemnified person or entity.

Resignation or Removal

The Transfer Agent may at any time resign, by notice to the Company, or be removed by the Company, such resignation or removal to become effective upon the appointment by the Company of a successor transfer agent and registrar and its acceptance of such appointment. If no successor has been appointed and accepted such appointment within 30 days after notice of such resignation or removal, the General Partner is authorized to act as the transfer agent and registrar until a successor is appointed.

TRANSFER OF COMMON UNITS

Until a Common Unit has been transferred on the books of the Company, the Company and the Transfer Agent, notwithstanding any notice to the contrary, may treat the record holder thereof as the absolute owner for

all purposes, except as otherwise required by law or stock exchange regulations. The transfer of the Common Units to persons that purchase directly from the Underwriters will be accomplished through the completion, execution and delivery of a Transfer Application by such investor in connection with such Common Units. Any subsequent transfers of a Common Unit will not be recorded by the Transfer Agent or recognized by the Company unless the transferee executes and delivers a Transfer Application. By executing and delivering a Transfer Application (the form of which is set forth as Appendix B to this Prospectus and which is also set forth on the reverse side of the certificates representing the Common Units), the transferee of Common Units (i) becomes the record holder of such Common Units and shall constitute an assignee until admitted into the Company as a substitute limited partner, (ii) automatically requests admission as a substituted limited partner in the Company, (iii) agrees to be bound by the terms and conditions of, and executes, the Partnership Agreement, (iv) represents that such transferee has the capacity, power and authority to enter into the Partnership Agreement, (v) grants powers of attorney to officers of the General Partner and any liquidator of the Company as specified in the Partnership Agreement and (vi) makes the consents and waivers contained in the Partnership Agreement. An assignee will become a substituted limited partner of the Company in respect of the transferred Common Units upon the consent of the General Partner and the recordation of the name of the assignee on the books and records of the Company. Such consent may be withheld in the sole discretion of the General Partner.

Common Units are securities and are transferable according to the laws governing transfer of securities. In addition to other rights acquired upon transfer, the transferor gives the transferee the right to request admission as a substituted limited partner in the Company in respect of the transferred Common Units. A purchaser or transferee of Common Units who does not execute and deliver a Transfer Application obtains only (a) the right to assign the Common Units to a purchaser or other transferee and (b) the right to transfer the right to seek admission as a substituted limited partner in the Company with respect to the transferred Common Units. Thus, a purchaser or transferee of Common Units who does not execute and deliver a Transfer Application will not receive cash distributions or federal income tax allocations unless the Common Units are held in a nominee or "street name" account and the nominee or broker has executed and delivered a Transfer Application with respect to such Common Units, and may not receive certain federal income tax information or reports furnished to record holders of Common Units. The transferor of Common Units will have a duty to provide such transferee with all information that may be necessary to obtain registration of the transfer of the Common Units, but a transferee agrees, by acceptance of the certificate representing Common Units, that the transferor will not have a duty to insure the execution of the Transfer Application by the transferee and will have no liability or responsibility if such transferee neglects to or chooses not to execute and forward the Transfer Application to the Transfer Agent. See "The Partnership Agreement--Status as Limited Partner or Assignee."

THE PARTNERSHIP AGREEMENT

The following paragraphs are a summary of the material provisions of the Partnership Agreement. The form of the Partnership Agreement for the Company is included in this Prospectus as Appendix A. The form of Partnership Agreement for the Operating Partnership (the "Operating Partnership Agreement") is included as an exhibit to the Registration Statement of which this Prospectus constitutes a part. The Company will provide prospective investors with a copy of the form of the Operating Partnership Agreement upon request at no charge. The discussions presented herein and below of the material provisions of the Partnership Agreement are qualified in their entirety by reference to the Partnership Agreement for the Company and the Operating Partnership Agreement for the Operating Partnership. The Company will be a 98.9899% limited partner of the Operating Partnership, which will own the Company's business. The General Partner will serve as the general partner of the Company and the general partner of the Operating Partnership, owning an aggregate 2% interest in the Company and the Operating Partnership on a combined basis. The General Partner will manage and operate the Company's business. Unless the context otherwise requires, references herein to the "Partnership Agreement" constitute references to the Partnership Agreement and the Operating Partnership Agreement, collectively.

Certain provisions of the Partnership Agreement are summarized elsewhere in this Prospectus under various headings. With regard to the transfer of Common Units, see "Description of the Common Units--Transfer of Common Units." With regard to distributions of Available Cash, see "Cash Distribution Policy." With regard to allocations of taxable income and taxable loss, see "Tax Considerations." Prospective investors are urged to review these sections of the Prospectus and the Partnership Agreement carefully.

ORGANIZATION AND DURATION

The Company and the Operating Partnership were organized in April 1998 as Delaware limited partnerships. The Company and the Operating Partnership will dissolve on December 31, 2088, unless sooner dissolved pursuant to the terms of the Partnership Agreement.

PURPOSE

The purpose of the Company under the Partnership Agreement is limited to serving as the limited partner of the Operating Partnership and engaging in any business activity that may be engaged in by the Operating Partnership. The Operating Partnership Agreement provides that the Operating Partnership may, directly or indirectly, engage in (i) any activity engaged in by EPCO or its affiliates immediately prior to this offering, (ii) any other activity approved by the General Partner or (iii) any activity that enhances the operations of an activity that is described in (i) or (ii) above. Although the General Partner has the ability under the Partnership Agreement to cause the Company and the Operating Partnership to engage in activities other than those conducted by EPCO and its affiliates immediately prior to this offering, the General Partner has no current intention of doing so. The General Partner is authorized in general to perform all acts deemed necessary to carry out such purposes and to conduct the business of the Company.

POWER OF ATTORNEY

Each Limited Partner, and each person who acquires a Unit from a Unitholder and executes and delivers a Transfer Application with respect thereto, grants to the General Partner and, if a liquidator of the Company has been appointed, such liquidator, a power of attorney to, among other things, execute and file certain documents required in connection with the qualification, continuance or dissolution of the Company or the amendment of the Partnership Agreement in accordance with the terms thereof and to make consents and waivers contained in the Partnership Agreement.

CAPITAL CONTRIBUTIONS

For a description of the initial capital contributions to be made to the Company, see "The Transactions." The Unitholders are not obligated to make additional capital contributions to the Company, except as described below under "--Limited Liability."

LIMITED LIABILITY

Assuming that a Limited Partner does not participate in the control of the business of the Company within the meaning of the Delaware Act and that such Limited Partner otherwise acts in conformity with the provisions of the Partnership Agreement, such Limited Partner's liability under the Delaware Act will be limited, subject to certain possible exceptions, to the amount of capital he is obligated to contribute to the Company in respect of his Common Units plus his share of any undistributed profits and assets of the Company. If it were determined, however, that the right or exercise of the right by the Limited Partners as a group to remove or replace the General Partner, to approve certain amendments to the Partnership Agreement or to take other action pursuant to the Partnership Agreement constituted "participation in the control" of the Company's business for the purposes of the Delaware Act, then the Limited Partners could be held personally liable for the Company's obligations under the laws of the State of Delaware to the same extent as the General Partner with respect to persons who transact business with the Company reasonably believing, based on the Limited Partner's conduct, that the Limited Partner is a general partner.

Under the Delaware Act, a limited partnership may not make a distribution to a partner to the extent that at the time of the distribution, after giving effect to the distribution, all liabilities of the partnership, other than liabilities to partners on account of their partnership interests and liabilities for which the recourse of creditors is limited to specific property of the partnership, exceed the fair value of the assets of the limited partnership. For the purpose of determining the fair value of the assets of a limited partnership, the Delaware Act provides that the fair value of property subject to liability for which recourse of creditors is limited shall be included in the assets of the limited partnership only to the extent that the fair value of that property exceeds that nonrecourse liability. The Delaware Act provides that a limited partner who receives such a distribution and knew at the time of the distribution that the distribution was in violation of the Delaware Act shall be liable to the limited partnership for the amount of the distribution for three years from the date of the distribution. Under the Delaware Act, an assignee who becomes a substituted limited partner of a limited partnership is liable for the obligations of his assignor to make contributions to the partnership, except the assignee is not obligated for liabilities unknown to him at the time he became a limited partner and which could not be ascertained from the partnership agreement.

The Company expects that the Operating Partnership will initially conduct business in the states of Texas, Louisiana, Mississippi and Alabama. Maintenance of limited liability may require compliance with legal requirements in such jurisdictions in which the Operating Partnership conducts business, including qualifying the Operating Partnership to do business there. Limitations on the liability of limited partners for the obligations of a limited partnership have not been clearly established in many jurisdictions. If it were determined that the Company was, by virtue of its interest as a limited partner in the Operating Partnership or otherwise, conducting business in any state without compliance with the applicable limited partnership statute, or that the right or exercise of the right by the Limited Partners as a group to remove or replace the General Partner, to approve certain amendments to the Partnership Agreement, or to take other action pursuant to the Partnership Agreement constituted "participation in the control" of the Company's business for the purposes of the statutes of any relevant jurisdiction, then the Limited Partners could be held personally liable for the Company's obligations under the law of such jurisdiction to the same extent as the General Partner under certain circumstances. The Company will operate in such manner as the General Partner deems reasonable and necessary or appropriate to preserve the limited liability of the Limited Partners.

ISSUANCE OF ADDITIONAL SECURITIES

The Partnership Agreement authorizes the Company to issue an unlimited number of additional limited partner interests and other equity securities of the Company for such consideration and on such terms and conditions as are established by the General Partner in its sole discretion without the approval of any Limited Partners; provided that, during the Subordination Period, except as provided in the next sentence below, the Company may not issue equity securities of the Company ranking prior or senior to the Common Units or an aggregate of more than 25,000,000 additional Common Units (which number shall be subject to adjustment in

the event of a combination or subdivision of Common Units and shall exclude Common Units issued upon the exercise of the Underwriters' over-allotment option, upon conversion of Subordinated Units, pursuant to employee benefit plans, upon conversion of the general partner interests and Incentive Distribution Rights as a result of a withdrawal of the General Partner or in connection with the making of certain acquisitions or capital improvements as described below) or an equivalent number of securities ranking on a parity with the Common Units, in either case without the approval of the holders of at least a Unit Majority. During the Subordination Period, the Company may also issue an unlimited number of additional Common Units or parity securities without the approval of the Unitholders: if such issuance occurs (A) in connection with an Acquisition or a Capital Improvement or (B) within 365 days of, and the net proceeds from such issuance are used to repay debt incurred in connection with, an Acquisition or a Capital Improvement, in each case where such Acquisition or Capital Improvement involves assets that, if acquired by the Company as of the date that is one year prior to the first day of the quarter in which such transaction is to be effected, would have resulted in an increase in (1) the amount of Adjusted Operating Surplus generated by the Company on a per-Unit basis (for all outstanding Units) with respect to each of the four most recently completed quarters (on a pro forma basis) as compared to (2) the actual amount of Adjusted Operating Surplus generated by the Company on a per-Unit basis (for all outstanding Units) (excluding Adjusted Operating Surplus attributable to the Acquisition or Capital Improvement) with respect to each of such four most recently completed quarters (provided that if the issuance of Units with respect to an Acquisition or Capital Improvement occurs within the first four full quarters after the closing of this offering, then Adjusted Operating Surplus as used in clauses (1) (determined on a pro forma basis) and (2) above will be calculated (A) for each quarter, if any, that commenced after the closing of this offering for which actual results of operations are available, based on the actual Adjusted Operating Surplus of the Company generated with respect to such quarter and (B) for each other quarter, on a pro forma basis not inconsistent with the procedures, as applicable, set forth in "Cash Available for Distribution." In accordance with Delaware law and the provisions of the Partnership Agreement, the Company may also issue additional partnership interests that, in the sole discretion of the General Partner, may have special voting rights to which the Common Units are not entitled.

Upon issuance of additional Partnership Securities (including pursuant to the over-allotment option), the General Partner will be required to make additional capital contributions to the extent necessary to maintain its 2% interest in the Company and Operating Partnership. Moreover, the General Partner will have the right, which it may from time to time assign in whole or in part to any of its affiliates, to purchase Common Units, Subordinated Units or other equity securities of the Company from the Company whenever, and on the same terms that, the Company issues such securities or rights to persons other than the General Partner and its affiliates, to the extent necessary to maintain the percentage interest of the General Partner and its affiliates in the Company (including interests represented by Subordinated Units) that existed immediately prior to each such issuance. The holders of Common Units will not have preemptive rights to acquire additional Common Units or other partnership interests that may be issued by the Company.

AMENDMENT OF PARTNERSHIP AGREEMENT

Amendments to the Partnership 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. In order to adopt a proposed amendment (other than certain amendments discussed below), the General Partner is required to seek written approval of the holders of the number of Units required to approve such amendment or call a meeting of the Limited Partners to consider and vote upon the proposed amendment, except as described below. Proposed amendments (unless otherwise specified) must be approved by holders of a Unit Majority, except that no amendment may be made which would (i) enlarge the obligations of any Limited Partner without its consent, unless approved by at least a majority of the type or class of Units so affected, (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 by the Company 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 the term of the Company, (iv) provide that the Company is not dissolved upon the expiration of its term or upon an election to dissolve the Company by the General Partner that is approved by

holders of a Unit Majority or (v) give any person the right to dissolve the Company other than the General Partner, who has the right to dissolve the Company with the approval of holders of a Unit Majority. The provision of the Partnership Agreement preventing the amendments having the effects described in clauses (i)-(v) above can be amended upon the approval of the holders of at least 90% of the Common Units and Subordinated Units voting as a single class.

The General Partner may generally make amendments to the Partnership Agreement without the approval of any Limited Partner or assignee to reflect (i) a change in the name of the Company, the location of the principal place of business of the Company, the registered agent of the Company or the registered office of the Company, (ii) admission, substitution, withdrawal or removal of partners in accordance with the Partnership Agreement, (iii) a change that, in the discretion of the General Partner, is necessary or advisable to qualify or continue the qualification of the Company 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 neither the Company nor the Operating Partnership will be treated as an association taxable as a corporation or otherwise taxed as an entity for federal income tax purposes, (iv) an amendment that is necessary, in the opinion of counsel to the Company, to prevent the Company, or the General Partner or its directors, officers, agents or trustees, from in any manner being subjected to the provisions of the Investment Company Act of 1940, as amended, the Investment Advisors Act of 1940, as amended, or "plan asset" regulations adopted under the Employee Retirement Income Security Act of 1974, as amended, whether or not substantially similar to plan asset regulations currently applied or proposed, (v) subject to the limitations on the issuance of additional Common Units or other limited or general partner interests described above, an amendment that, in the discretion of the General Partner, is necessary or advisable in connection with the authorization of additional limited or general partner interests, (vi) any amendment expressly permitted in the Partnership Agreement to be made by the General Partner acting alone, (vii) an amendment effected, necessitated or contemplated by a merger agreement that has been approved pursuant to the terms of the Partnership Agreement, (viii) any amendment that, in the discretion of the General Partner, is necessary or advisable in connection with the formation by the Company of, or its investment in, any corporation, partnership or other entity (other than the Operating Partnership) as otherwise permitted by the Partnership Agreement, (ix) a change in the fiscal year and/or taxable year of the Company and changes related thereto, and (x) any other amendments substantially similar to any of the foregoing.

In addition to the General Partner's right to amend the Partnership Agreement as described above, the General Partner may make amendments to the Partnership Agreement without the approval of any Limited Partner or assignee if such amendments, in the discretion of the General Partner, (i) do not adversely affect the Limited Partners in any material respect, (ii) are necessary or advisable to satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any federal or state agency or judicial authority or contained in any federal or state statute, (iii) are necessary or advisable to facilitate the trading of the Common Units (including the division of any class or classes of outstanding Partnership Securities into different classes to facilitate uniformity of tax consequences within such classes of Partnership Securities) or to comply with any rule, regulation, guideline or requirement of any securities exchange on which the Common Units are or will be listed for trading, compliance with any of which the General Partner deems to be in the best interests of the Company and the Limited Partners, (iv) are necessary or advisable in connection with any action taken by the General Partner relating to splits or combinations of Units pursuant to the provisions of the Partnership Agreement or (v) are required to effect the intent expressed in this Prospectus or the intent of the Partnership Agreement or contemplated by the Partnership Agreement.

The General Partner will not be required to obtain an Opinion of Counsel (as defined below under "--Termination and Dissolution") in the event of the amendments described in the two immediately preceding paragraphs. No other amendments to the Partnership Agreement will become effective without the approval of holders of at least 90% of the Units unless the Company obtains an opinion of counsel to the effect that such amendment will not affect the limited liability under applicable law of any limited partner in the Company or any member of the Operating Partnership.

Any amendment that would have a material adverse effect on the rights or preferences of any type or class of outstanding Units in relation to other classes of Units will require the approval of at least a majority of the type or class of Units so affected. Any amendment that reduces the voting percentage required to take any action is required to be approved by the affirmative vote of limited partners constituting not less than the voting requirement sought to be reduced.

MERGER, SALE OR OTHER DISPOSITION OF ASSETS

The General Partner is generally prohibited, without the prior approval of holders of a Unit Majority, from causing the Company to, among other things, sell, exchange or otherwise dispose of all or substantially all of its assets in a single transaction or a series of related transactions (including by way of merger, consolidation or other combination) or approving on behalf of the Company the sale, exchange or other disposition of all or substantially all of the assets of the Operating Partnership; provided that the General Partner may mortgage, pledge, hypothecate or grant a security interest in all or substantially all of the Company's assets without such approval. The General Partner may also sell all or substantially all of the Company's assets pursuant to a foreclosure or other realization upon the foregoing encumbrances without such approval. Furthermore, provided that certain conditions are satisfied, the General Partner may merge the Company or any member of the Partnership Group into, or convey some or all of the Partnership Group's assets to, a newly-formed entity if the sole purpose of such merger or conveyance is to effect a mere change in the legal form of the Company into another limited liability entity. The Unitholders are not entitled to dissenters' rights of appraisal under the Partnership Agreement or applicable Delaware law in the event of a merger or consolidation of the Company, a sale of substantially all of the Company's assets or any other transaction or event.

TERMINATION AND DISSOLUTION

The Company will continue until December 31, 2088, unless sooner terminated pursuant to the Partnership Agreement. The Company will be dissolved upon (i) the election of the General Partner to dissolve the Company, if approved by the holders of a Unit Majority, (ii) the sale, exchange or other disposition of all or substantially all of the assets and properties of the Company and the Operating Partnership, (iii) the entry of a decree of judicial dissolution of the Company or (iv) the withdrawal or removal of the General Partner or any other event that results in its ceasing to be the General Partner (other than by reason of a transfer of its general partner interest in accordance with the Partnership Agreement or withdrawal or removal following approval and admission of a successor). Upon a dissolution pursuant to clause (iv), the holders of a Unit Majority may also elect, within certain time limitations, to reconstitute the Company and continue its business on the same terms and conditions set forth in the Partnership Agreement by forming a new limited partnership on terms identical to those set forth in the Partnership Agreement and having as general partner an entity approved by the holders of a Unit Majority subject to receipt by the Company of an opinion of counsel to the effect that (x) such action would not result in the loss of limited liability of any Limited Partner and (y) neither the Company, 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 (herein, an "Opinion of Counsel").

LIQUIDATION AND DISTRIBUTION OF PROCEEDS

Upon dissolution of the Company, unless the Company is reconstituted and continued as a new limited partnership, the person authorized to wind up the affairs of the Company (the "Liquidator") will, acting with all of the powers of the General Partner that such Liquidator deems necessary or desirable in its good faith judgment in connection therewith, liquidate the Company's assets and apply the proceeds of the liquidation as provided in "Cash Distribution Policy--Distributions of Cash Upon Liquidation." Under certain circumstances and subject to certain limitations, the Liquidator may defer liquidation or distribution of the Company's assets for a reasonable period of time or distribute assets to partners in kind if it determines that a sale would be impractical or would cause undue loss to the partners.

WITHDRAWAL OR REMOVAL OF THE GENERAL PARTNER

The General Partner has agreed not to withdraw voluntarily as a general partner of the Company or the Operating Partnership prior to June 30, 2008 (with limited exceptions described below), without obtaining the approval of the holders of a Unit Majority and furnishing an Opinion of Counsel. On or after June 30, 2008, the General Partner may withdraw as the General Partner (without first obtaining approval from any Unitholder) by giving 90 days' written notice, and such withdrawal will not constitute a violation of the Partnership Agreement. Notwithstanding the foregoing, the General Partner may withdraw without Unitholder approval upon 90 days' notice to the Limited Partners if at least 50% of the outstanding Common Units are held or controlled by one person and its affiliates (other than the General Partner and its affiliates). In addition, the Partnership Agreement permits the General Partner (in certain limited instances) to sell or otherwise transfer all of its general partner interest in the Company without the approval of the Unitholders. See "--Transfer of General Partner's Interests and Incentive Distribution Rights."

Upon the withdrawal of the General Partner under any circumstances (other than as a result of a transfer by the General Partner of all or a part of its general partner interest in the Company), the holders of a Unit Majority may select a successor to such withdrawing General Partner. If such a successor is not elected, or is elected but an Opinion of Counsel cannot be obtained, the Company will be dissolved, wound up and liquidated, unless within 180 days after such withdrawal the holders of a Unit Majority agree in writing to continue the business of the Company and to appoint a successor General Partner. See "--Termination and Dissolution."

The General Partner may not be removed unless such removal is approved by the vote of the holders of not less than 66 2/3% of the outstanding Units (including Units held by the General Partner and its affiliates) and the Company receives an Opinion of Counsel. The ownership of an aggregate of 76.7% of the combined Common Units and Subordinated Units by a wholly-owned subsidiary EPCO, the sole member of the General Partner, gives EPCO the ability to prevent the General Partner's removal. Any such removal is also subject to the approval of a successor general partner by the vote of the holders of not less than a Unit Majority. The Partnership Agreement also provides that if the General Partner is removed as general partner of the Company under circumstances where Cause does not exist and Units held by the General Partner and its affiliates are not voted in favor of such removal (i) the Subordination Period will end and all outstanding Subordinated Units will immediately convert into Common Units on a one-for-one basis, (ii) any existing Common Unit Arrearages will be extinguished and (iii) the General Partner will have the right to convert its general partner interest (and all the Incentive Distribution Rights) into Common Units or to receive cash in exchange for such interests.

Withdrawal or removal of the General Partner as a general partner of the Company also constitutes withdrawal or removal, as the case may be, of the General Partner as the general partner of the Operating Partnership.

In the event of removal of the General Partner under circumstances where Cause exists or withdrawal of the General Partner where such withdrawal violates the Partnership Agreement, a successor general partner will have the option to purchase the general partner interests and Incentive Distribution Rights of the departing General Partner (the "Departing Partner") in the Company and the Operating Partnership for a cash payment equal to the fair market value of such interests. Under all other circumstances where the General Partner withdraws or is removed by the Limited Partners, the Departing Partner will have the option to require the successor general partner to purchase such interests of the Departing Partner and its Incentive Distribution Rights for such amount. In each case, such fair market value will be determined by agreement between the Departing Partner and the successor general partner, or if no agreement is reached, by an independent investment banking firm or other independent expert selected by the Departing Partner and the successor general partner (or if no expert can be agreed upon, by an expert chosen by agreement of the experts selected by each of them). In addition, the Company will be required to reimburse the Departing Partner for all amounts due the Departing Partner, including, without limitation, all employee-related liabilities, including severance liabilities, incurred in connection with the termination of any employees employed by the Departing Partner for the benefit of the Company.

If the above-described option is not exercised by either the Departing Partner or the successor general partner, as applicable, the Departing Partner's general partner interests in the Company and the Operating Partnership and its Incentive Distribution Rights will automatically convert into Common Units equal to the fair market value of such interests as determined by an investment banking firm or other independent expert selected in the manner described in the preceding paragraph.

TRANSFER OF GENERAL PARTNER'S INTERESTS AND INCENTIVE DISTRIBUTION RIGHTS

Except for a transfer by the General Partner of all, but not less than all, of its general partner interest in the Company and the Operating Partnership to (a) an affiliate of the General Partner or (b) another person in connection with the merger or consolidation of the General Partner with or into another person or the transfer by such General Partner of all or substantially all of its assets to another person, the General Partner may not transfer all or any part of its general partner interest in the Company or the Operating Partnership to another person prior to June 30, 2008, without the approval of the holders of at least a Unit Majority; provided that, in each case, such transferee assumes the rights and duties of the General Partner to whose interest such transferee has succeeded, agrees to be bound by the provisions of the Partnership Agreement, furnishes an Opinion of Counsel and agrees to acquire all (or the appropriate portion thereof, as applicable) of the General Partner's interest in the Operating Partnership and agrees to be bound by the provisions of the Operating Partnership Agreement. The General Partner and its affiliates shall have the right at any time, however, to transfer their Subordinated Units to one or more persons without Unitholder approval. At any time, the members of the General Partner may sell or transfer all or part of their interest in the General Partner to an affiliate or a third party without the approval of the Unitholders. The General Partner or its affiliates or a subsequent holder may transfer its Incentive Distribution Rights to another person in connection with its merger or consolidation with or into, or sale of all or substantially all of its assets to, such person without the prior approval of the Unitholders. Holders of Incentive Distribution Rights may also transfer such rights to its affiliates without the prior approval of the Unitholders. Prior to June 30, 2008, other transfers of the Incentive Distribution Rights will require the affirmative vote of holders of at least a Unit Majority. On or after June 30, 2008, the Incentive Distribution Rights will be freely transferable.

CHANGE OF MANAGEMENT PROVISIONS

The Partnership Agreement contains certain provisions that are intended to discourage a person or group from attempting to remove the General Partner as general partner of the Company or otherwise change the management of the Company. If any person or group other than the General Partner and its affiliates acquires beneficial ownership of 20% or more of any class of Units, such person or group loses voting rights with respect to all of its Units. The Partnership Agreement also provides that if the General Partner is removed as a general partner of the Company under circumstances where Cause does not exist and Units held by the General Partner and its affiliates are not voted in favor of such removal, (i) the Subordination Period will end and all outstanding Subordinated Units will immediately convert into Common Units on a one-for-one basis, (ii) any existing Common Unit Arrearages will be extinguished and (iii) the General Partner will have the right to convert its partner interests (and all of its Incentive Distribution Rights) into Common Units or to receive cash in exchange for such interests.

LIMITED CALL RIGHT

If at any time less than 20% of the then-issued and outstanding limited partner interests of any class (including Common Units) are held by persons other than the General Partner and its affiliates, the General Partner will have the right, which it may assign in whole or in part to any of its affiliates or to the Company, to acquire all, but not less than all, of the remaining limited partner interests of such class held by such unaffiliated persons as of a record date to be selected by the General Partner, on at least 10 but not more than 60 days' notice. The purchase price in the event of such a purchase shall be the greater of (i) the highest price paid by the General Partner or any of its affiliates for any limited partner interests of such class purchased within the 90

days preceding the date on which the General Partner first mails notice of its election to purchase such limited partner interests, and (ii) the Current Market Price as of the date three days prior to the date such notice is mailed. As a consequence of the General Partner's right to purchase outstanding limited partner interests, a holder of limited partner interests may have his limited partner interests purchased even though he may not desire to sell them, or the price paid may be less than the amount the holder would desire to receive upon the sale of his limited partner interests. The tax consequences to a Unitholder of the exercise of this call right are the same as a sale by such Unitholder of his Common Units in the market. See "Tax Considerations--Disposition of Common Units."

MEETINGS; VOTING

Except as described below with respect to a Person or group owning 20% or more of all Units, Unitholders or assignees who are record holders of Units on the record date set pursuant to the Partnership Agreement will be entitled to notice of, and to vote at, meetings of limited partners of the Company and to act with respect to matters as to which approvals may be solicited. With respect to voting rights attributable to Common Units that are owned by an assignee who is a record holder but who has not yet been admitted as a limited partner, 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 Common Units on any matter, vote such Common Units at the written direction of such record holder. Absent such direction, such Common Units will not be voted (except that, in the case of Common Units held by the General Partner on behalf of Non-citizen Assignees (as defined below), the General Partner shall distribute the votes in respect of such Common Units in the same ratios as the votes of limited partners in respect of other Units are cast).

The General Partner does not anticipate that any meeting of Unitholders will be called in the foreseeable future. Any action that is required or permitted to be taken by the Unitholders may be taken either at a meeting of the Unitholders or without a meeting if consents in writing setting forth the action so taken are signed by holders of such number of Units as would be necessary to authorize or take such action at a meeting of all of the Unitholders. Meetings of the Unitholders of the Company may be called by the General Partner or by Unitholders owning at least 20% of the outstanding Units of the class for which a meeting is proposed. Unitholders may vote either in person or by proxy at meetings. The holders of a majority of the outstanding Units of the class or classes for which a meeting has been called represented in person or by proxy shall constitute a quorum at a meeting of Unitholders of such class or classes, unless any such action by the Unitholders requires approval by holders of a greater percentage of such Units, in which case the quorum shall be such greater percentage.

Each record holder of a Unit has a vote according to his percentage interest in the Company, although additional limited partner interests having special voting rights could be issued by the Company. See "--Issuance of Additional Securities." However, if at any time any person or group (other than the General Partner and its affiliates) acquires, in the aggregate, beneficial ownership of 20% or more of any class of Units then outstanding, such person or group will lose voting rights with respect to all of its Units and such Units may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of Unitholders, calculating required votes, determining the presence of a quorum or for other similar Partnership purposes. The Partnership Agreement provides that Common Units held in nominee or street name account will be voted by the broker (or other nominee) pursuant to the instruction of the beneficial owner unless the arrangement between the beneficial owner and his nominee provides otherwise. Except as otherwise provided in the Partnership Agreement, Subordinated Units will vote together with Common Units as a single class.

Any notice, demand, request, report or proxy material required or permitted to be given or made to record holders of Common Units (whether or not such record holder has been admitted as a limited partner) under the terms of the Partnership Agreement will be delivered to the record holder by the Company or by the Transfer Agent at the request of the Company.

STATUS AS LIMITED PARTNER OR ASSIGNEE

Except as described above under "--Limited Liability," the Common Units will be fully paid, and Unitholders will not be required to make additional contributions to the Company.

An assignee of a Common Unit, subsequent to executing and delivering a Transfer Application, but pending its admission as a substituted Limited Partner in the Company, is entitled to an interest in the Company equivalent to that of a Limited Partner with respect to the right to share in allocations and distributions from the Company, including liquidating distributions. The General Partner will vote and exercise other powers attributable to Common Units owned by an assignee who has not become a substitute Limited Partner at the written direction of such assignee. See "--Meetings; Voting." Transferees who do not execute and deliver a Transfer Application will be treated neither as assignees nor as record holders of Common Units, and will not receive cash distributions, federal income tax allocations or reports furnished to record holders of Common Units. See "Description of the Common Units--Transfer of Common Units."

NON-CITIZEN ASSIGNEES; REDEMPTION

If the Company is or becomes subject to federal, state or local laws or regulations that, in the reasonable determination of the General Partner, create a substantial risk of cancellation or forfeiture of any property in which the Company has an interest because of the nationality, citizenship or other related status of any Limited Partner or assignee, the Company may redeem the Units held by such Limited Partner or assignee at their Current Market Price (as defined in the Glossary). In order to avoid any such cancellation or forfeiture, the General Partner may require each Limited Partner or assignee to furnish information about his nationality, citizenship or related status. If a Limited Partner or assignee fails to furnish information about such nationality, citizenship or other related status within 30 days after a request for such information or the General Partner determines after receipt of such information that the Limited Partner or assignee is not an eligible citizen, such Limited Partner or assignee may be treated as a non-citizen assignee ("Non-citizen Assignee"). In addition to other limitations on the rights of an assignee who is not a substituted Limited Partner, a Non-citizen Assignee does not have the right to direct the voting of his Units and may not receive distributions in kind upon liquidation of the Company.

INDEMNIFICATION

The Partnership Agreement provides that the Company will indemnify (i) the General Partner, (ii) any Departing Partner, (iii) any Person who is or was an affiliate of a General Partner or any Departing Partner, any Person who is or was a member, partner, officer, director, employee, agent or trustee of a General Partner or any Departing Partner or any affiliate of a General Partner or any Departing Partner, or (iv) any Person who is or was serving at the request of a General Partner or any Departing Partner or any affiliate of any such person, any affiliate of a General Partner or any Departing Partner as an officer, director, employee, member, partner, agent, fiduciary or trustee of another Person ("Indemnitees"), to the fullest extent permitted by law, from and against any and all losses, claims, damages, liabilities (joint or several), expenses (including, without limitation, 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 Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, by reason of its status as an 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 not opposed to the best interests of the Company and, with respect to any criminal proceeding, had no reasonable cause to believe its conduct was unlawful. Any indemnification under these provisions will be only out of the assets of the Company, and the General Partner shall not be personally liable for, or have any obligation to contribute or lend funds or assets to the Company to enable it to effectuate, such indemnification. The Company is authorized to purchase (or to reimburse the General Partner or its affiliates for the cost of) insurance against liabilities asserted against and expenses incurred by such persons in connection with the Company's activities, regardless of whether the Company would have the power to indemnify such person against such liabilities under the provisions described above.

BOOKS AND REPORTS

The General Partner is required to keep appropriate books of the business of the Company at the principal offices of the Company. The books will be maintained for both tax and financial reporting purposes on an accrual basis. For tax and financial reporting purposes, the fiscal year of the Company is the calendar year.

As soon as practicable, but in no event later than 120 days after the close of each fiscal year, the General Partner will furnish or make available to each record holder of Units (as of a record date selected by the General Partner) an annual report containing audited financial statements of the Company for the past fiscal year, prepared in accordance with generally accepted accounting principles. 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 will furnish or make available to each record holder of Units (as of a record date selected by the General Partner) a report containing unaudited financial statements of the Company with respect to such quarter and such other information as may be required by law.

The Company will furnish each record holder of a Unit information reasonably required for tax reporting purposes within 90 days after the close of each calendar year. Such information is expected to be furnished in summary form so that certain complex calculations normally required of partners can be avoided. The Company's ability to furnish such summary information to Unitholders will depend on the cooperation of such Unitholders in supplying certain information to the Company. Every Unitholder (without regard to whether he supplies such information to the Company) will receive information to assist him in determining his federal and state tax liability and filing his federal and state income tax returns.

RIGHT TO INSPECT COMPANY BOOKS AND RECORDS

The Partnership Agreement provides that a Limited Partner can for a purpose reasonably related to such Limited Partner's interest as a limited partner, upon reasonable demand and at his own expense, have furnished to him (i) a current list of the name and last known address of each partner, (ii) a copy of the Company's tax returns, (iii) information as to the amount of cash, and a description and statement of the agreed value of any other property or services, contributed or to be contributed by each partner and the date on which each became a partner, (iv) copies of the Partnership Agreement, the certificate of limited partnership of the Company, amendments thereto and powers of attorney pursuant to which the same have been executed, (v) information regarding the status of the Company's business and financial condition, and (vi) such other information regarding the affairs of the Company as is just and reasonable. The Company may, and intends to, keep confidential from the Limited Partners trade secrets or other information the disclosure of which the Company believes in good faith is not in the best interests of the Company or which the Company is required by law or by agreements with third parties to keep confidential.

REGISTRATION RIGHTS

Pursuant to the terms of the Partnership Agreement and subject to certain limitations described therein, the Company has agreed to register for resale under the Securities Act and applicable state securities laws any Common Units or other securities of the Company (including Subordinated Units) proposed to be sold by the General Partner or any of its affiliates if an exemption from such registration requirements is not otherwise available for such proposed transaction. The Company is obligated to pay all expenses incidental to such registration, excluding underwriting discounts and commissions. See "Units Eligible for Future Sale."

UNITS ELIGIBLE FOR FUTURE SALE

After the sale of the Common Units offered hereby, EPCO will hold 33,022,222 Common Units and 23,604,444 Subordinated Units (all of which will convert into Common Units at the end of the Subordination Period and some of which may convert earlier). The sale of these Units could have an adverse impact on the price of the Common Units or on any trading market that may develop.

The Common Units sold in this offering will generally be freely transferable without restriction or further registration under the Securities Act, except that any Common Units owned by an "affiliate" of the Company (as that term is defined in the rules and regulations under the Securities Act) may not be resold publicly except in compliance with the registration requirements of the Securities Act or pursuant to an exemption therefrom under Rule 144 thereunder ("Rule 144") or otherwise. Rule 144 permits securities acquired by an affiliate of the issuer in a public offering to be sold into the market in an amount that does not exceed, during any three-month period, the greater of (i) 1% of the total number of such securities outstanding or (ii) the average weekly reported trading volume of the Common Units for the four calendar weeks prior to such sale. Sales under Rule 144 are also subject to certain manner of sale provisions, notice requirements and the availability of current public information about the Company. A person who is not deemed to have been an affiliate of the Company at any time during the three months preceding a sale, and who has beneficially owned his Common Units for at least one year would be entitled to sell such Common Units under Rule 144 without regard to the public information requirements, volume limitations, manner of sale provisions or notice requirements of Rule 144.

Prior to the end of the Subordination Period, the Company may not issue equity securities of the Company ranking prior or senior to the Common Units or an aggregate of more than 25,000,000 additional Common Units (which number is subject to adjustment in the event of a combination or subdivision of the Common Units and shall exclude Common Units issued upon exercise of the Underwriters' over-allotment option, upon conversion of Subordinated Units pursuant to employee benefit plans, upon conversion of the General Partner interests and Incentive Distribution Rights as a result of a withdrawal of the General Partner or in connection with making certain acquisitions or capital improvements that are accretive on a per Unit basis), or an equivalent amount of securities ranking on a parity with the Common Units, without the approval of the holders of at least a Unit Majority. The Partnership Agreement provides that, after the Subordination Period, the Company may issue an unlimited number of limited partner interests of any type without a vote of the Unitholders. The Partnership Agreement does not impose any restriction on the Company's ability to issue equity securities ranking junior to the Common Units at any time. Any issuance of additional Common Units or certain other equity securities would result in a corresponding decrease in the proportionate ownership interest in the Company represented by, and could adversely affect the cash distributions to and market price of, Common Units then outstanding. See "The Partnership Agreement--Issuance of Additional Securities."

Pursuant to the Partnership Agreement, the General Partner and its affiliates will have the right, upon the terms and subject to the conditions therein, to cause the Company to register under the Securities Act and state laws the offer and sale of any Units or other Partnership Securities that they hold. Subject to the terms and conditions of the Partnership Agreement, such registration rights allow the General Partner and its affiliates or its assignees holding any Units to require registration of any such Units and to include any such Units in a registration by the Company of other Units, including Units offered by the Company or by any Unitholder. Such registration rights will continue in effect for two years following any withdrawal or removal of the General Partner as a general partner of the Company. In connection with any such registration, the Company will indemnify each Unitholder participating in such registration and its officers, directors and controlling persons from and against any liabilities under the Securities Act or any state securities laws arising from the registration statement or prospectus.

The Company, the General Partner, EPCO and the officers and directors of the General Partner have agreed that they will not, without the prior written consent of Lehman Brothers Inc., during the 180 days following the date of this Prospectus, (i) offer for sale, sell, pledge or otherwise dispose of (or enter into any transaction or device which is designed to, or could be expected to, result in the disposition by any person at any time in the

future of) any Common Units or any securities that are convertible into, or exercisable or exchangeable for, or that represent the right to receive, Common Units or any securities that are senior to or pari passu with the Common Units, or (ii) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or rights of ownership of such Common Units.

TAX CONSIDERATIONS

This section is a summary of material federal income tax considerations that may be relevant to prospective Unitholders and, to the extent set forth below under "--Legal Opinions and Advice," expresses the opinion of Counsel, insofar as it relates to matters of law and legal conclusions. This section is based upon current provisions of the Code, existing and proposed Treasury regulations thereunder and current administrative rulings and court decisions, all of which are subject to change at any time. Subsequent changes in such authorities may cause the tax consequences to vary substantially from the consequences described below. Unless the context otherwise requires, references in this section to the Company are references to both the Company and the Operating Company.

No attempt has been made in the following discussion to comment on all federal income tax matters affecting the Company or the Unitholders. Moreover, the discussion focuses on Unitholders who are individual citizens or residents of the United States and has only limited application to corporations, estates, trusts, non-resident aliens or other Unitholders subject to specialized tax treatment (such as tax-exempt institutions, foreign persons, IRAs, REITs or mutual funds). Accordingly, each prospective Unitholder should consult, and should depend on, his own tax advisor in analyzing the federal, state, local and foreign tax consequences peculiar to him of the ownership or disposition of Common Units.

LEGAL OPINIONS AND ADVICE

Counsel is of the opinion that, based on the accuracy of the representations and subject to the qualifications set forth in the detailed discussion that follows, for federal income tax purposes (i) the Company and the Operating Company will each be treated as a partnership, and (ii) owners of Common Units (with certain exceptions, as described in "--Limited Partner Status" below) will be treated as partners of the Company (but not the Operating Company). In addition, all statements as to matters of law and legal conclusions contained in this section, unless otherwise noted, reflect the opinion of Counsel.

No ruling has been or will be requested from the IRS with respect to classification of the Company as a partnership for federal income tax purposes, whether the Company's operations generate "qualifying income" under Section 7704 of the Code or any other matter affecting the Company or prospective Unitholders. An opinion of counsel represents only that counsel's best legal judgment and does not bind the IRS or the courts. Thus, no assurance can be provided that the opinions and statement set forth herein would be sustained by a court if contested by the IRS. Any such contest with the IRS may materially and adversely impact the market for the Common Units and the prices at which Common Units trade. In addition, the costs of any contest with the IRS will be borne directly or indirectly by the Unitholders and the General Partner. Furthermore, no assurance can be given that the treatment of the Company or an investment therein will not be significantly modified by future legislative or administrative changes or court decisions. Any such modification may or may not be retroactively applied.

For the reasons hereinafter described, Counsel has not rendered an opinion with respect to the following specific federal income tax issues: (i) the treatment of a Unitholder whose Common Units are loaned to a short seller to cover a short sale of Common Units (see "--Tax Treatment of Operations--Treatment of Short Sales"), (ii) whether a Unitholder acquiring Common Units in separate transactions must maintain a single aggregate adjusted tax basis in his Common Units (see "--Disposition of Common Units--Recognition of Gain or Loss"), (iii) whether the Company's monthly convention for allocating taxable income and losses is permitted under existing Treasury Regulations (see "--Disposition of Common Units--Allocations Between Transferors and Transferees"), and (iv) whether the Company's method for depreciating Section 743 adjustments is sustainable (see "--Tax Treatment of Operations--Section 754 Election").

TAX RATES AND CHANGES IN FEDERAL INCOME TAX LAWS

The top marginal income tax rate for individuals is 36% subject to a 10% surtax on individuals with taxable income in excess of $271,050 per year. The surtax is computed by applying a 39.6% rate to taxable income in excess of the threshold. Pursuant to the TRA of 1997, in general, net capital gains of an individual are subject to a maximum 20% tax rate if the asset is held for 18 months at the time of disposition and 28% if the asset is held for more than one year but not 18 months at the time of disposition.

The TRA of 1997 alters the tax reporting system and the deficiency collection system applicable to large partnerships that elect to have the provisions apply and makes certain additional changes to the treatment of large partnerships, such as the Company. Certain of the proposed changes are discussed later in this section. The legislation contained in the TRA of 1997 is generally intended to simplify the administration of the tax rules governing large partnerships such as the Company. It is not expected that the Company will elect to have these provisions apply because of the cost of their application.

The TRA of 1997 affects the taxation of certain financial products and securities, including partnership interests, by treating a taxpayer as having sold an "appreciated" partnership interest (one in which gain would be recognized if it were sold, assigned or otherwise terminated at its fair market value) if the taxpayer or related persons enter into a short sale of, an offsetting notional principal contract with respect to or a futures or forward contract to deliver the same or substantially identical property, or in the case of an appreciated financial position that is a short sale or offsetting notional principal or futures or forward contract, the taxpayer or related persons acquire, the same or substantially identical property. The Secretary of Treasury is also authorized to issue regulations that treat a taxpayer that enters into transactions or positions that have substantially the same effect as the preceding transactions as having constructively sold the financial product or security.

PARTNERSHIP STATUS

A partnership is not a taxable entity and incurs no federal income tax liability. Instead, each partner is required to take into account his allocable share of items of income, gain, loss, deduction and credit of the partnership in computing his federal income tax liability, regardless of whether cash distributions are made. Distributions by a partnership to a partner generally are not taxable unless the amount of any cash distributed is in excess of the partner's adjusted basis in his partnership interest.

An entity generally will be classified as a partnership rather than as a corporation for federal income tax purposes if the entity (i) is treated as a partnership under Treasury regulations, effective January 1, 1997, relating to entity classification (the "Check-the-Box Regulations") and (ii) is not a "publicly traded partnership" taxed as a corporation under Section 7704 of the Code. In general, under the Check-the-Box Regulations, an unincorporated domestic entity with at least two members may elect to be classified either as an association taxable as a corporation or as a partnership. If such an entity fails to make any election, it will be treated as a partnership for federal income tax purposes.

To be taxed as a partnership for federal income tax purposes, the Company, in addition to qualifying as a partnership under the Check-the-Box Regulations, must not be taxed as a corporation under Section 7704 of the Code dealing with publicly-traded partnerships. The Company constitutes a "publicly-traded partnership" within the meaning of Section 7704 of the Code. Section 7704 of the Code provides that publicly-traded partnerships will, as a general rule, be taxed as corporations. However, an exception (the "Qualifying Income Exception") exists with respect to publicly-traded partnerships of which 90% or more of the gross income for every taxable year consists of "qualifying income." Qualifying income includes interest (from other than a financial business), dividends and income and gains from the exploration, development, mining or processing, refining, transportation and marketing of any mineral or natural resource. In the instant case, the Company's gross income which is derived from the processing or refining of ethane, propane, MTBE, isobutane, natural gasoline, propylene and the transportation of NGLs is qualifying income. Based upon the factual representations of the Company and the General Partner and a review of the applicable legal authorities, Counsel is of the opinion that at least 90% of

the Company's gross income is income derived from the exploration, development, mining or production, processing, refining, transportation or marketing of any mineral or natural resource or other items of qualifying income. The Company estimates that less than   % of its gross income for each taxable year will not constitute qualifying income.

If the Company fails to meet the Qualifying Income Exception (other than a failure which is determined by the IRS to be inadvertent and which is cured within a reasonable time after discovery), the Company will be treated as if it had transferred all of its assets (subject to liabilities) to a newly formed corporation (on the first day of the year in which it fails to meet the Qualifying Income Exception) in return for stock in that corporation, and then distributed that stock to the partners in liquidation of their interests in the Company. This contribution and liquidation should be tax-free to Unitholders and the Company, so long as the Company, at that time, does not have liabilities in excess of the tax basis of its assets. Thereafter, the Company would be treated as a corporation for federal income tax purposes.

If the Company or the Operating Company were treated as an association taxable as a corporation in any taxable year, either as a result of a failure to meet the Qualifying Income Exception or otherwise, its items of income, gain, loss and deduction would be reflected only on its tax return rather than being passed through to the Unitholders, and its net income would be taxed to the Company or the Operating Company at corporate rates. In addition, any distribution made to a Unitholder would be treated as either taxable dividend income (to the extent of the Company's current or accumulated earnings and profits) or (in the absence of earnings and profits) a nontaxable return of capital (to the extent of the Unitholder's tax basis in his Common Units) or taxable capital gain (after the Unitholder's tax basis in the Common Units is reduced to zero). Accordingly, treatment of either the Company or the Operating Company as an association taxable as a corporation would result in a material reduction in a Unitholder's cash flow and after-tax return and, thus, would likely result in a substantial reduction of the value of the Units.

No ruling has been or will be sought from the IRS as to the status of the Company or the Operating Company as a partnership for federal income tax purposes. Instead the Company has relied on the opinion of Counsel that, based upon the Code, the Treasury regulations promulgated thereunder, published revenue rulings and court decisions, the Company and the Operating Company will each be classified as a partnership for federal income tax purposes.

In rendering its opinion, Counsel has relied on certain factual representations made by the Company and the General Partner. Such factual matters are as follows:

(a) Neither the Company nor the Operating Company will elect to be treated as an association or corporation;

(b) The Company will be operated in accordance with (i) all applicable partnership statutes, (ii) the Partnership Agreement, and (iii) the description thereof in this Prospectus;

(c) The Operating Company will be operated in accordance with (i) all applicable partnership statutes, (ii) the Operating Partnership Agreement, and (iii) the description of its business contained in this Prospectus;

(d) For each taxable year, more than 90% of the gross income of the Company will be income from sources that Counsel has heretofore opined or may hereafter opine is qualifying income within the meaning of section 7704(d) of the Code; and

(e) The General Partner will at all times act independently of the limited partners.

The discussion below is based on the assumption that the Company and the Operating Company will be classified as a partnership for federal income tax purposes.

LIMITED PARTNER STATUS

Unitholders who have become limited partners of the Company will be treated as partners of the Company for federal income tax purposes. Counsel is also of the opinion that (a) assignees who have executed and delivered Transfer Applications, and are awaiting admission as limited partners and (b) Unitholders whose Common Units are held in street name or by a nominee and who have the right to direct the nominee in the exercise of all substantive rights attendant to the ownership of their Common Units will be treated as partners of the Company for federal income tax purposes. As there is no direct authority addressing assignees of Common Units who are entitled to execute and deliver Transfer Applications and thereby become entitled to direct the exercise of attendant rights, but who fail to execute and deliver Transfer Applications, Counsel's opinion does not extend to these persons. Income, gain, deductions, losses or credit would not appear to be reportable by a Unitholder who is not a partner for federal income tax purposes, and any cash distributions received by such a Unitholder would therefore be fully taxable as ordinary income. These holders should consult their own tax advisors with respect to their status as partners in the Company for federal income tax purposes. Furthermore, a purchaser or other transferee of Common Units who does not execute and deliver a Transfer Application may not receive certain federal income tax information or reports furnished to record holders of Common Units unless the Common Units are held in a nominee or street name account and the nominee or broker has executed and delivered a Transfer Application with respect to such Common Units.

A beneficial owner of Common Units whose Common Units have been transferred to a short seller to complete a short sale would appear to lose his status as a partner with respect to such Common Units for federal income tax purposes. See "--Tax Treatment of Operations--Treatment of Short Sales."

TAX CONSEQUENCES OF UNIT OWNERSHIP

Flow-through of Taxable Income

No federal income tax will be paid by the Company. Instead, each Unitholder will be required to report on his income tax return his allocable share of the income, gains, losses, deductions and credits of the Company without regard to whether corresponding cash distributions are received by such Unitholder. Consequently, a Unitholder may be allocated income from the Company even if he has not received a cash distribution. Each Unitholder will be required to include in income his allocable share of Company income, gain, loss, deduction and credit for the taxable year of the Company ending with or within the taxable year of the Unitholder.

Treatment of Company Distributions

Distributions by the Company to a Unitholder generally will not be taxable to the Unitholder for federal income tax purposes to the extent of his tax basis in his Common Units immediately before the distribution. Cash distributions in excess of a Unitholder's tax basis generally will be considered to be gain from the sale or exchange of the Common Units, taxable in accordance with the rules described under "--Disposition of Common Units" below. Any reduction in a Unitholder's share of the Company's liabilities for which no partner, including the General Partner, bears the economic risk of loss ("nonrecourse liabilities") will be treated as a distribution of cash to that Unitholder. To the extent that the Company distributions cause a Unitholder's "at risk" amount to be less than zero at the end of any taxable year, he must recapture any losses deducted in previous years. See "--Limitations on Deductibility of Company Losses."

A decrease in a Unitholder's percentage interest in the Company because of the issuance by the Company of additional Common Units will decrease such Unitholder's share of nonrecourse liabilities of the Company, and thus will result in a corresponding deemed distribution of cash. A non-pro rata distribution of money or property may result in ordinary income to a Unitholder, regardless of his tax basis in his Common Units, if such distribution reduces the Unitholder's share of the Company's "unrealized receivables" (including depreciation

recapture) and/or substantially appreciated "inventory items" (both as defined in Section 751 of the Code) (collectively, "Section 751 Assets"). To that extent, the Unitholder will be treated as having been distributed his proportionate share of the Section 751 Assets and having exchanged such assets with the Company in return for the non-pro rata portion of the actual distribution made to him. This latter deemed exchange will generally result in the Unitholder's realization of ordinary income under Section 751(b) of the Code. Such income will equal the excess of (1) the non-pro rata portion of such distribution over (2) the Unitholder's tax basis for the share of such Section 751 Assets deemed relinquished in the exchange.

Ratio of Taxable Income to Distributions

The Company estimates that a purchaser of Common Units in this offering who holds such Common Units from the date of the closing of this offering through December 31, 2001, will be allocated, on a cumulative basis, an amount of federal taxable income for such period that will be less than   % of the cash distributed with respect to that period. The Company further estimates that for taxable years after the taxable year ending December 31, 2001, the taxable income allocable to the Unitholders will constitute a significantly higher percentage of cash distributed to Unitholders. The foregoing estimates are based upon the assumption that gross income from operations will approximate the amount required to make the Minimum Quarterly Distribution with respect to all Units and other assumptions with respect to capital expenditures, cash flow and anticipated cash distributions. These estimates and assumptions are subject to, among other things, numerous business, economic, regulatory, competitive and political uncertainties beyond the control of the Company. Further, the estimates are based on current tax law and certain tax reporting positions that the Company intends to adopt and with which the IRS could disagree. Accordingly, no assurance can be given that the estimates will prove to be correct. The actual percentage could be higher or lower, and any such differences could be material and could materially affect the value of the Common Units.

Basis of Common Units

A Unitholder's initial tax basis for his Common Units will be the amount he paid for the Common Units plus his share of the Company's nonrecourse liabilities. That basis will be increased by his share of Company income and by any increases in his share of Company nonrecourse liabilities. That basis will be decreased (but not below zero) by distributions from the Company, by the Unitholder's share of Company losses, by any decrease in his share of Company nonrecourse liabilities and by his share of expenditures of the Company that are not deductible in computing its taxable income and are not required to be capitalized. A limited partner will have no share of Company debt which is recourse to the General Partner, but will have a share, generally based on his share of profits, of Company debt which is not recourse to any partner. See "--Disposition of Common Units--Recognition of Gain or Loss."

Limitations on Deductibility of Company Losses

The deduction by a Unitholder of his share of Company losses will be limited to the tax basis in his Units and, in the case of an individual Unitholder or a corporate Unitholder (if more than 50% of the value of its stock is owned directly or indirectly by or for five or fewer individuals or certain tax-exempt organizations), to the amount for which the Unitholder is considered to be "at risk" with respect to the Company's activities, if that is less than the Unitholder's tax basis. A Unitholder must recapture losses deducted in previous years to the extent that Company distributions cause the Unitholder's at risk amount to be less than zero at the end of any taxable year. Losses disallowed to a Unitholder or recaptured as a result of these limitations will carry forward and will be allowable to the extent that the Unitholder's tax basis or at risk amount (whichever is the limiting factor) is subsequently increased. Upon the taxable disposition of a Unit, any gain recognized by a Unitholder can be offset by losses that were previously suspended by the at risk limitation but may not be offset by losses suspended by the basis limitation. Any excess loss (above such gain) previously suspended by the at risk or basis limitations is no longer utilizable.

In general, a Unitholder will be at risk to the extent of the tax basis of his Units, excluding any portion of that basis attributable to his share of Company nonrecourse liabilities, reduced by any amount of money the

Unitholder borrows to acquire or hold his Units if the lender of such borrowed funds owns an interest in the Company, is related to such a person or can look only to Units for repayment. A Unitholder's at risk amount will increase or decrease as the tax basis of the Unitholder's Units increases or decreases (other than tax basis increases or decreases attributable to increases or decreases in his share of Company nonrecourse liabilities).

The passive loss limitations generally provide that individuals, estates, trusts and certain closely-held corporations and personal service corporations can deduct losses from passive activities (generally, activities in which the taxpayer does not materially participate) only to the extent of the taxpayer's income from those passive activities. The passive loss limitations are applied separately with respect to each publicly-traded partnership. Consequently, any passive losses generated by the Company will only be available to offset future income generated by the Company and will not be available to offset income from other passive activities or investments (including other publicly-traded partnerships) or salary or active business income. Passive losses which are not deductible because they exceed a Unitholder's income generated by the Company may be deducted in full when he disposes of his entire investment in the Company in a fully taxable transaction to an unrelated party. The passive activity loss rules are applied after other applicable limitations on deductions such as the at risk rules and the basis limitation.

A Unitholder's share of net income from the Company may be offset by any suspended passive losses from the Company, but it may not be offset by any other current or carryover losses from other passive activities, including those attributable to other publicly-traded partnerships.

Limitations on Interest Deductions

Generally, a non-corporate taxpayer's "investment interest" may be deducted only to the extent of the taxpayer's "net investment income." Any investment interest that is not deductible solely by reason of this limitation may be carried forward to later taxable years and treated as investment interest in such later years. In general, investment interest is any interest paid or accrued on debt incurred or continued to purchase or carry property held for investment, and net investment income includes gross income and certain net gain from property held for investment, reduced by expenses that are directly connected with the production of such income and gains. The IRS has announced that Treasury regulations will be issued which characterize net passive income from a publicly-traded partnership as investment income for purposes of the limitations on the deductibility of investment interest.

To the extent that interest is attributable to a passive activity (which may include interest incurred or deemed to have been incurred by a Unitholder to acquire or carry his Units and a Unitholder's share of interest incurred by the Company in connection with its operations), it is treated as a passive activity deduction and is subject to limitation under the passive loss limitation discussed above and not under the investment interest limitation. In addition, the effect of the investment interest limitation on a particular Unitholder will depend on such Unitholder's personal tax situation. Accordingly, each Unitholder should consult with his tax advisor.

ALLOCATION OF COMPANY INCOME, GAIN, LOSS, DEDUCTION AND CREDIT

In general, if the Company has a net profit, items of income, gain, loss, deduction and credit will be allocated among the General Partner and the Unitholders in accordance with their respective percentage interests in the Company. At any time that distributions are made to the Common Units and not to the Subordinated Units, or that Incentive Distributions are made to the General Partner, gross income will be allocated to the recipients to the extent of such distributions. If the Company has a net loss, items of income, gain, loss, deduction and credit will generally be allocated first, to the General Partner and the Unitholders in accordance with their respective Percentage Interests to the extent of their positive capital accounts (as maintained under the Partnership Agreement) and, second, to the General Partner.

As required by Section 704(c) of the Code and as permitted by Regulations thereunder, certain items of Company income, gain, loss and deduction will be allocated to account for the difference between the tax basis and fair market value of property contributed to the Company by the General Partner or its affiliates ("Contributed Property"). The effect of these allocations to a Unitholder will be essentially the same as if the

tax basis of the Contributed Property were equal to their fair market value at the time of contribution. In addition, certain items of recapture income will be allocated to the extent possible to the partner allocated the deduction or curative allocation giving rise to the treatment of such gain as recapture income in order to minimize the recognition of ordinary income by some Unitholders. Finally, although the Company does not expect that its operations will result in the creation of negative capital accounts, if negative capital accounts nevertheless result, items of Company income and gain will be allocated in an amount and manner sufficient to eliminate the negative balance as quickly as possible.

Section 704(b) of the Code, and the regulations promulgated thereunder, provide that an allocation of items of partnership income, gain, loss, deduction or credit, other than an allocation required by Section 704(c) of the Code to eliminate the difference between a partner's "book" capital account (credited with the fair market value of Contributed Property) and "tax" capital account (credited with the tax basis of Contributed Property) (the "Book-Tax Disparity"), will generally be given effect for federal income tax purposes in determining a partner's distributive share of an item of income, gain, loss, deduction or credit only if the allocation has substantial economic effect. In any other case, a partner's distributive share of an item will be determined on the basis of the partner's interest in the partnership, which will be determined by taking into account all the facts and circumstances, including the partner's relative contributions to the partnership, the interests of the partners in economic profits and losses, the interest of the partners in cash flow and other nonliquidating distributions and rights of the partners to distributions of capital upon liquidation.

Counsel is of the opinion that allocations under the Partnership Agreement will be given effect for federal income tax purposes in determining a Unitholder's distributive share of an item of income, gain, loss or deduction.

TAX TREATMENT OF OPERATIONS

Accounting Method and Taxable Year

The Company will use the year ending December 31 as its taxable year and will adopt the accrual method of accounting for federal income tax purposes. Each Unitholder will be required to include in income his allocable share of Company income, gain, loss, deduction and credit for the taxable year of the Company ending within or with the taxable year of the Unitholder. In addition, a Unitholder who has a taxable year ending on a date other than December 31 and who disposes of all of his Units following the close of the Company's taxable year but before the close of his taxable year must include his allocable share of Company income, gain, loss, deduction and credit in income for his taxable year with the result that he will be required to report in income for his taxable year his distributive share of more than one year of Company income, gain, loss, deduction and credit. See "--Disposition of Common Units--Allocations Between Transferors and Transferees."

Initial Tax Basis, Depreciation and Amortization

The tax basis of the various assets of the Company will be used for purposes of computing depreciation and cost recovery deductions and, ultimately, gain or loss on the disposition of such assets. The Company assets will initially have an aggregate tax basis equal to the tax basis of the assets in the possession of EPCO immediately prior to the formation of the Company. The federal income tax burden associated with the difference between the fair market value of property held by the Company and the tax basis established for such property will be borne by the General Partner and EPCO. See "--Allocation of Company Income, Gain, Loss, Deduction and Credit."

To the extent allowable, the Company may elect to use the depreciation and cost recovery methods that will result in the largest depreciation deductions in the early years of the Company. The Company will not be entitled to any amortization deductions with respect to any goodwill conveyed to the Company on formation. It is estimated that approximately   % of the fair market value of the assets conveyed to the Company upon formation consist of non-amortizable goodwill. Property subsequently acquired or constructed by the Company may be depreciated using accelerated methods permitted by the Code.

If the Company disposes of depreciable property by sale, foreclosure, or otherwise, all or a portion of any gain (determined by reference to the amount of depreciation previously deducted and the nature of the property) may be subject to the recapture rules and taxed as ordinary income rather than capital gain. Similarly, a partner who has taken cost recovery or depreciation deductions with respect to property owned by the Company may be required to recapture such deductions as ordinary income upon a sale of his interest in the Company. See "--Allocation of Company Income, Gain, Loss, Deduction and Credit" and "--Disposition of Common Units--Recognition of Gain or Loss."

Costs incurred in organizing the Company may be amortized over any period selected by the Company not shorter than 60 months. The costs incurred in promoting the issuance of Units (i.e. syndication expenses) must be capitalized and cannot be deducted currently, ratably or upon termination of the Company. Substantially all of the costs incurred in connection with this offering will be classified as syndication expenses, which may not be amortized.

Section 754 Election

The Company intends to make the election permitted by Section 754 of the Code. That election is irrevocable without the consent of the IRS. The election will generally permit the Company to adjust a Common Unit purchaser's (other than a Common Unit purchaser that purchases Common Units from the Company) tax basis in the Company's assets ("inside basis") pursuant to Section 743(b) of the Code to reflect his purchase price. The Section 743(b) adjustment belongs to the purchaser and not to other partners. (For purposes of this discussion, a partner's inside basis in the Company's assets will be considered to have two components: (1) his share of the Company's tax basis in such assets ("common basis") and (2) his Section 743(b) adjustment to that basis.)

Proposed Treasury Regulation Section 1.168-2(n) generally requires the Section 743(b) adjustment attributable to an increase in the basis of recovery property to be depreciated as if the total amount of such adjustment were attributable to newly-acquired recovery property placed in service when the purchaser acquires the Unit. Similarly, Proposed Treasury Regulation Section 1.197-2(g)(3) generally requires that the Section 743(b) adjustment attributable to an increase in the basis of an amortizable Section 197 intangible should be treated as a newly-acquired asset placed in service when the purchaser acquires the Unit. Under Treasury Regulation Section 1.167(c)-1(a)(6), a Section 743(b) adjustment attributable to property subject to depreciation under Section 167 of the Code, rather than cost recovery deductions under Section 168, is generally required to be depreciated using either the straight-line method or the 150% declining balance method. The depreciation and amortization methods and useful lives associated with the Section 743(b) adjustment, therefore, may differ from the methods and useful lives generally used to depreciate the common basis in such properties. Pursuant to the Partnership Agreement, the Company is authorized to adopt a convention to preserve the uniformity of Units even if such convention is not consistent with Proposed Treasury Regulation Section 1.168-2(n), Proposed Treasury Regulation 1.197-2(g)(3) or Treasury Regulation Sections 1.167(c)-1(a)(6). See "--Uniformity of Units."

Although Counsel is unable to opine and expresses no opinion as to the validity of such an approach, the Company intends to depreciate the portion of a Section 743(b) adjustment attributable to unrealized appreciation in the value of Contributed Property (to the extent of any unamortized Book-Tax Disparity) using a rate of depreciation or amortization derived from the depreciation or amortization method and useful life applied to the common basis of such property, or treat that portion as non-amortizable to the extent attributable to property the common basis of which is not amortizable, despite its inconsistency with Proposed Treasury Regulation Section 1.168-2(n), Proposed Treasury Regulation 1.197-2(g)(3) or Treasury Regulation Section 1.167(c)-1(a)(6). If the Company determines that such position cannot reasonably be taken, the Company may adopt a depreciation or amortization convention under which all purchasers acquiring Units in the same month would receive depreciation or amortization, whether attributable to common basis or Section 743(b) adjustment, based upon the same applicable rate as if they had purchased a direct interest in the Company's assets. Such an aggregate

approach may result in lower annual depreciation or amortization deductions than would otherwise be allowable to certain Unitholders. See "--Uniformity of Units."

A Section 754 election is advantageous if the transferee's tax basis in his Units is higher than such Units' share of the aggregate tax basis to the Company of the Company's assets immediately prior to the transfer. In such a case, as a result of the election, the transferee would have a higher tax basis in his share of the Company's assets for purposes of calculating, among other items, his depreciation deductions and his share of any gain or loss on a sale of the Company's assets. Conversely, a Section 754 election is disadvantageous if the transferee's tax basis in such Units is lower than such Unit's share of the aggregate tax basis of the Company's assets immediately prior to the transfer. Thus, the fair market value of the Units may be affected either favorably or adversely by the election.

The calculations involved in the Section 754 election are complex and will be made by the Company on the basis of certain assumptions as to the value of Company assets and other matters. There is no assurance that the determinations made by the Company will not be successfully challenged by the IRS and that the deductions resulting from them will not be reduced or disallowed altogether. Should the IRS require a different basis adjustment to be made, and should, in the Company's opinion, the expense of compliance exceed the benefit of the election, the Company may seek permission from the IRS to revoke the Section 754 election for the Company. If such permission is granted, a subsequent purchaser of Units may be allocated more income than he would have been allocated had the election not been revoked.

Alternative Minimum Tax

Although it is not expected that the Company will generate significant tax preference items or adjustments, each Unitholder will be required to take into account his distributive share of any items of Company income, gain, deduction, loss or credit for purposes of the alternative minimum tax. The minimum tax rate for noncorporate taxpayers is 26% on the first $175,000 of alternative minimum taxable income in excess of the exemption amount and 28% on any additional alternative minimum taxable income. Prospective Unitholders should consult with their tax advisors as to the impact of an investment in Units on their liability for the alternative minimum tax.

Valuation of Company Property and Basis of Properties

The federal income tax consequences of the ownership and disposition of Units will depend in part on estimates by the Company of the relative fair market values, and determinations of the initial tax bases, of the assets of the Company. Although the Company may from time to time consult with professional appraisers with respect to valuation matters, many of the relative fair market value estimates will be made by the Company. These estimates and determinations of basis are subject to challenge and will not be binding on the IRS or the courts. If the estimates of fair market value or determinations of basis are subsequently found to be incorrect, the character and amount of items of income, gain, loss, deductions or credit previously reported by Unitholders might change, and Unitholders might be required to adjust their tax liability for prior years.

Treatment of Short Sales

A Unitholder whose Units are loaned to a "short seller" to cover a short sale of Units may be considered as having disposed of ownership of those Units. If so, he would no longer be a partner with respect to those Units during the period of the loan and may recognize gain or loss from the disposition. As a result, during this period, any Company income, gain, deduction, loss or credit with respect to those Units would not be reportable by the Unitholder, any cash distributions received by the Unitholder with respect to those Units would be fully taxable and all of such distributions would appear to be treated as ordinary income. Unitholders desiring to assure their status as partners and avoid the risk of gain recognition should modify any applicable brokerage account agreements to prohibit their brokers from borrowing their Units.

DISPOSITION OF COMMON UNITS

Recognition of Gain or Loss

Gain or loss will be recognized on a sale of Units equal to the difference between the amount realized and the Unitholder's tax basis for the Units sold. A Unitholder's amount realized will be measured by the sum of the cash or the fair market value of other property received plus his share of Company nonrecourse liabilities. Because the amount realized includes a Unitholder's share of Company nonrecourse liabilities, the gain recognized on the sale of Units could result in a tax liability in excess of any cash received from such sale.

Prior Company distributions in excess of cumulative net taxable income in respect of a Common Unit that decreased a Unitholder's tax basis in such Common Unit will, in effect, become taxable income if the Common Unit is sold at a price greater than the Unitholder's tax basis in such Common Unit, even if the price is less than his original cost.

Should the IRS successfully contest the convention used by the Company to amortize only a portion of the Section 743(b) adjustment (described under "--Tax Treatment of Operations--Section 754 Election") attributable to an amortizable Section 197 intangible after a sale by the General Partner of Units, a Unitholder could realize additional gain from the sale of Units than had such convention been respected. In that case, the Unitholder may have been entitled to additional deductions against income in prior years but may be unable to claim them, with the result to him of greater overall taxable income than appropriate. Counsel is unable to opine as to the validity of the convention but believes such a contest by the IRS to be unlikely because a successful contest could result in substantial additional deductions to other Unitholders.

Gain or loss recognized by a Unitholder (other than a "dealer" in Units) on the sale or exchange of a Unit will generally be taxable as capital gain or loss. Capital gain recognized on the sale of Units held for more than 18 months will generally be taxed at a maximum rate of 20%. A portion of this gain or loss (which could be substantial), however, will be separately computed and taxed as ordinary income or loss under Section 751 of the Code to the extent attributable to assets giving rise to depreciation recapture or other "unrealized receivables" or to "inventory items" owned by the Company. The term "unrealized receivables" includes potential recapture items, including depreciation recapture. Ordinary income attributable to unrealized receivables, inventory items and depreciation recapture may exceed net taxable gain realized upon the sale of the Unit and may be recognized even if there is a net taxable loss realized on the sale of the Unit. Thus, a Unitholder may recognize both ordinary income and a capital loss upon a disposition of Units. Net capital loss may offset no more than $3,000 of ordinary income in the case of individuals and may only be used to offset capital gain in the case of corporations.

The IRS has ruled that a partner who acquires interests in a partnership in separate transactions at different prices must combine those interests and maintain a single adjusted tax basis. Upon a sale or other disposition of less than all of such interests, a portion of that tax basis must be allocated to the interests sold using an "equitable apportionment" method. The ruling is unclear as to how the holding period of these interests is determined once they are combined. If this ruling is applicable to the holders of Common Units, a Common Unitholder will be unable to select high or low basis Common Units to sell as would be the case with corporate stock. It is not clear whether the ruling applies to the Company because, similar to corporate stock, interests in the Company are evidenced by separate certificates. Accordingly, Counsel is unable to opine as to the effect such ruling will have on the Unitholders. A Unitholder considering the purchase of additional Common Units or a sale of Common Units purchased in separate transactions should consult his tax advisor as to the possible consequences of such ruling.

Allocations Between Transferors and Transferees

In general, the Company's taxable income and losses will be determined annually, will be prorated on a monthly basis and will be subsequently apportioned among the Unitholders in proportion to the number of Units owned by each of them as of the opening of the principal national securities exchange on which the Common

Units are then traded on the first business day of the month (the "Allocation Date"). However, gain or loss realized on a sale or other disposition of Company assets, other than in the ordinary course of business, will be allocated among the Unitholders on the Allocation Date in the month in which that gain or loss is recognized. As a result, a Unitholder transferring Common Units in the open market may be allocated income, gain, loss and deduction accrued after the date of transfer.

The use of this method may not be permitted under existing Treasury regulations. Accordingly, Counsel is unable to opine on the validity of this method of allocating income and deductions between the transferors and the transferees of Units. If this method is not allowed under the Treasury regulations (or only applies to transfers of less than all of the Unitholder's interest), taxable income or losses of the Company might be reallocated among the Unitholders. The Company is authorized to revise its method of allocation between transferors and transferees (as well as among partners whose interests otherwise vary during a taxable period) to conform to a method permitted under future Treasury regulations.

A Unitholder who owns Units at any time during a quarter and who disposes of such Units prior to the record date set for a cash distribution with respect to such quarter will be allocated items of Company income, gain, loss, deductions and credit attributable to such quarter but will not be entitled to receive that cash distribution.

Notification Requirements

A Unitholder who sells or exchanges Units is required to notify the Company in writing of that sale or exchange within 30 days after the sale or exchange and in any event by no later than January 15 of the year following the calendar year in which the sale or exchange occurred. The Company is required to notify the IRS of that transaction and to furnish certain information to the transferor and transferee. However, these reporting requirements do not apply with respect to a sale by an individual who is a citizen of the United States and who effects the sale or exchange through a broker. Additionally, a transferee of a Unit will be required to furnish a statement to the IRS, filed with its income tax return for the taxable year in which the sale or exchange occurred, that sets forth the amount of the consideration paid for the Unit. Failure to satisfy these reporting obligations may lead to the imposition of substantial penalties.

Constructive Termination

The Company and the Operating Company will be considered to have been terminated if there is a sale or exchange of 50% or more of the total interests in Company capital and profits within a 12-month period. Under the TRA of 1997, electing large partnerships do not terminate by reason of the sale or exchange of interests in the partnership. A termination of the Company will cause a termination of the Operating Company. A termination of the Company will result in the closing of the Company's taxable year for all Unitholders. In the case of a Unitholder reporting on a taxable year other than a fiscal year ending December 31, the closing of the Company's taxable year may result in more than 12 months' taxable income or loss of the Company being includable in his taxable income for the year of termination. New tax elections required to be made by the Company, including a new election under Section 754 of the Code, must be made subsequent to a termination, and a termination could result in a deferral of Company deductions for depreciation. A termination could also result in penalties if the Company were unable to determine that the termination had occurred. Moreover, a termination might either accelerate the application of, or subject the Company to, any tax legislation enacted prior to the termination.

Under regulations, a termination of the Company would result in a deemed transfer by the Company of its assets to a new partnership in exchange for an interest in the new partnership followed by a deemed distribution of interests in the new partnership to the Unitholders in liquidation of the Company.

Entity-Level Collections

If the Company is required or elects under applicable law to pay any federal, state or local income tax on behalf of any Unitholder or any General Partner or any former Unitholder, the Company is authorized to pay those taxes from Company funds. Such payment, if made, will be treated as a distribution of cash to the partner on whose behalf the payment was made. If the payment is made on behalf of a person whose identity cannot be determined, the Company is authorized to treat the payment as a distribution to current Unitholders. The Company is authorized to amend the Partnership Agreement in the manner necessary to maintain uniformity of intrinsic tax characteristics of Units and to adjust subsequent distributions, so that after giving effect to such distributions, the priority and characterization of distributions otherwise applicable under the Partnership Agreement is maintained as nearly as is practicable. Payments by the Company as described above could give rise to an overpayment of tax on behalf of an individual partner in which event the partner could file a claim for credit or refund.

UNIFORMITY OF UNITS

Because the Company cannot match transferors and transferees of Units, uniformity of the economic and tax characteristics of the Units to a purchaser of such Units must be maintained. In the absence of uniformity, compliance with a number of federal income tax requirements, both statutory and regulatory, could be substantially diminished. A lack of uniformity can result from a literal application of Proposed Treasury Regulation Section 1.168-2(n), Proposed Treasury Regulation 1.197-2(g)(3) or Treasury Regulation Section 1.167(c)-1(a)(6). Any non-uniformity could have a negative impact on the value of the Units. See "--Tax Treatment of Operations--Section 754 Election."

The Company intends to depreciate the portion of a Section 743(b) adjustment attributable to unrealized appreciation in the value of contributed property or adjusted property (to the extent of any unamortized Book-Tax Disparity) using a rate of depreciation or amortization derived from the depreciation or amortization method and useful life applied to the common basis of such property, or treat that portion as nonamortizable, to the extent attributable to property the common basis of which is not amortizable, despite its inconsistency with Proposed Treasury Regulation Section 1.168-2(n), Proposed Treasury Regulation 1.197-2(g)(3) or Treasury Regulation Section 1.167(c)-1(a)(6). See "--Tax Treatment of Operations--Section 754 Election." If the Company determines that such a position cannot reasonably be taken, the Company may adopt a depreciation and amortization convention under which all purchasers acquiring Units in the same month would receive depreciation and amortization deductions, whether attributable to common basis or Section 743(b) basis, based upon the same applicable rate as if they had purchased a direct interest in the Company's property. If such an aggregate approach is adopted, it may result in lower annual depreciation and amortization deductions than would otherwise be allowable to certain Unitholders and risk the loss of depreciation and amortization deductions not taken in the year that such deductions are otherwise allowable. This convention will not be adopted if the Company determines that the loss of depreciation and amortization deductions will have a material adverse effect on the Unitholders. If the Company chooses not to utilize this aggregate method, the Company may use any other reasonable depreciation and amortization convention to preserve the uniformity of the intrinsic tax characteristics of any Units that would not have a material adverse effect on the Unitholders. The IRS may challenge any method of depreciating the Section 743(b) adjustment described in this paragraph. If such a challenge were sustained, the uniformity of Units might be affected, and the gain from the sale of Units might be increased without the benefit of additional deductions. See "--Disposition of Common Units--Recognition of Gain or Loss."

TAX-EXEMPT ORGANIZATIONS AND CERTAIN OTHER INVESTORS

Ownership of Units by employee benefit plans, other tax-exempt organizations, nonresident aliens, foreign corporations, other foreign persons and regulated investment companies raises issues unique to such persons and, as described below, may have substantially adverse tax consequences. Employee benefit plans and most other organizations exempt from federal income tax (including IRAs and other retirement plans) are subject to federal

income tax on unrelated business taxable income. Much of the taxable income derived by such an organization from the ownership of a Unit will be unrelated business taxable income and thus will be taxable to such a Unitholder.

A regulated investment company or "mutual fund" is required to derive 90% or more of its gross income from interest, dividends, payments with respect to securities loans, gains from the sale of stocks or securities or foreign currency or certain related sources. It is not anticipated that any significant amount of the Company's gross income will include that type of income.

Non-resident aliens and foreign corporations, trusts or estates which hold Units will be considered to be engaged in business in the United States on account of ownership of Units. As a consequence they will be required to file federal tax returns in respect of their share of Company income, gain, loss, deduction or credit and pay federal income tax at regular rates on any net income or gain. Generally, a partnership is required to pay a withholding tax on the portion of the partnership's income which is effectively connected with the conduct of a United States trade or business and which is allocable to the foreign partners, regardless of whether any actual distributions have been made to such partners. However, under rules applicable to publicly-traded partnerships, the Company will withhold (currently at the rate of 39.6%) on actual cash distributions made quarterly to foreign Unitholders. Each foreign Unitholder must obtain a taxpayer identification number from the IRS and submit that number to the Transfer Agent of the Company on a Form W-8 in order to obtain credit for the taxes withheld. A change in applicable law may require the Company to change these procedures.

Because a foreign corporation which owns Units will be treated as engaged in a United States trade or business, such a corporation may be subject to United States branch profits tax at a rate of 30%, in addition to regular federal income tax, on its allocable share of the Company's income and gain (as adjusted for changes in the foreign corporation's "U.S. net equity") that are effectively connected with the conduct of a United States trade or business. That tax may be reduced or eliminated by an income tax treaty between the United States and the country with respect to which the foreign corporate Unitholder is a "qualified resident." In addition, such a Unitholder is subject to special information reporting requirements under Section 6038C of the Code.

Under a ruling of the IRS a foreign Unitholder who sells or otherwise disposes of a Unit will be subject to federal income tax on gain realized on the disposition of such Unit to the extent that such gain is effectively connected with a United States trade or business of the foreign Unitholder. Apart from the ruling, a foreign Unitholder will not be taxed upon the disposition of a Unit if that foreign Unitholder has held less than 5% in value of the Units during the five-year period ending on the date of the disposition and if the Units are regularly traded on an established securities market at the time of the disposition.

ADMINISTRATIVE MATTERS

Company Information Returns and Audit Procedures

The Company intends to furnish to each Unitholder, within 90 days after the close of each calendar year, certain tax information, including a Schedule K-1, which sets forth each Unitholder's share of the Company's income, gain, loss, deduction and credit for the preceding Company taxable year. In preparing this information, which will generally not be reviewed by counsel, the Company will use various accounting and reporting conventions, some of which have been mentioned in the previous discussion, to determine the Unitholder's share of income, gain, loss, deduction and credit. There is no assurance that any of those conventions will yield a result which conforms to the requirements of the Code, Treasury regulations or administrative interpretations of the IRS. The Company cannot assure prospective Unitholders that the IRS will not successfully contend in court that such accounting and reporting conventions are impermissible. Any such challenge by the IRS could negatively affect the value of the Units.

The federal income tax information returns filed by the Company may be audited by the IRS. Adjustments resulting from any such audit may require each Unitholder to adjust a prior year's tax liability, and possibly may

result in an audit of the Unitholder's own return. Any audit of a Unitholder's return could result in adjustments of non-Company as well as Company items.

Partnerships generally are treated as separate entities for purposes of federal tax audits, judicial review of administrative adjustments by the IRS and tax settlement proceedings. The tax treatment of partnership items of income, gain, loss, deduction and credit are determined in a partnership proceeding rather than in separate proceedings with the partners. The Code provides for one partner to be designated as the "Tax Matters Partner" for these purposes. The Partnership Agreement appoints the General Partner as the Tax Matters Partner of the Company.

The Tax Matters Partner will make certain elections on behalf of the Company and Unitholders and can extend the statute of limitations for assessment of tax deficiencies against Unitholders with respect to Company items. The Tax Matters Partner may bind a Unitholder with less than a 1% profits interest in the Company to a settlement with the IRS unless that Unitholder elects, by filing a statement with the IRS, not to give such authority to the Tax Matters Partner. The Tax Matters Partner may seek judicial review (by which all the Unitholders are bound) of a final partnership administrative adjustment and, if the Tax Matters Partner fails to seek judicial review, such review may be sought by any Unitholder having at least a 1% interest in the profits of the Company and by the Unitholders having in the aggregate at least a 5% profits interest. However, only one action for judicial review will go forward, and each Unitholder with an interest in the outcome may participate.

A Unitholder must file a statement with the IRS identifying the treatment of any item on his federal income tax return that is not consistent with the treatment of the item on the Company's return. Intentional or negligent disregard of the consistency requirement may subject a Unitholder to substantial penalties. However, if the Company were to elect to be treated as a large partnership, Unitholders would be required to treat all Company items in a manner consistent with the Company's return.

Under the reporting provisions of the TRA of 1997, each partner of an electing large partnership takes into account separately his share of the following items, determined at the partnership level: (1) taxable income or loss from passive loss limitation activities; (2) taxable income or loss from other activities (such as portfolio income or loss); (3) net capital gains to the extent allocable to passive loss limitation activities and other activities; (4) tax exempt interest; (5) a net alternative minimum tax adjustment separately computed for passive loss limitation activities and other activities; (6) general credits; (7) low-income housing credit; (8) rehabilitation credit; (9) foreign income taxes; (10) credit for producing fuel from a nonconventional source; and (11) any other items the Secretary of Treasury deems appropriate. Moreover, miscellaneous itemized deductions would not be passed through to the partners and 30% of such deductions would be allowed at the partnership level.

The TRA of 1997 also made a number of changes to the tax compliance and administrative rules relating to electing partnerships. One provision would require that each partner in a large partnership, such as the Company, take into account his share of any adjustments to partnership items in the year such adjustments are made. Under prior law, adjustments relating to partnership items for a previous taxable year are taken into account by those persons who were partners in the previous taxable year. Alternatively, under the TRA of 1997, a partnership could elect to or, in some circumstances, could be required to directly pay the tax resulting from any such adjustments. In either case, therefore, Unitholders could bear significant economic burdens associated with tax adjustments relating to periods predating their acquisition of Units. It is not expected that the Company will elect to have the large partnership provisions apply because of the cost of their application.

Nominee Reporting

Persons who hold an interest in the Company as a nominee for another person are required to furnish to the Company (a) the name, address and taxpayer identification number of the beneficial owner and the nominee; (b) whether the beneficial owner is (i) a person that is not a United States person, (ii) a foreign government, an international organization or any wholly-owned agency or instrumentality of either of the foregoing, or (iii) a tax-exempt entity; (c) the amount and description of Units held, acquired or transferred for the beneficial owner;

and (d) certain information including the dates of acquisitions and transfers, means of acquisitions and transfers, and acquisition cost for purchases, as well as the amount of net proceeds from sales. Brokers and financial institutions are required to furnish additional information, including whether they are United States persons and certain information on Units they acquire, hold or transfer for their own account. A penalty of $50 per failure (up to a maximum of $100,000 per calendar year) is imposed by the Code for failure to report such information to the Company. The nominee is required to supply the beneficial owner of the Units with the information furnished to the Company.

Registration as a Tax Shelter

The Code requires that "tax shelters" be registered with the Secretary of the Treasury. The temporary Treasury regulations interpreting the tax shelter registration provisions of the Code are extremely broad. It is arguable that the Company is not subject to the registration requirement on the basis that it will not constitute a tax shelter. However, the General Partner, as a principal organizer of the Company, has applied for registration of the Company as a tax shelter with the Secretary of the Treasury in the absence of assurance that the Company will not be subject to tax shelter registration and in light of the substantial penalties which might be imposed if registration is required and not undertaken. ISSUANCE OF THE REGISTRATION NUMBER DOES NOT INDICATE THAT AN INVESTMENT IN THE PARTNERSHIP OR THE CLAIMED TAX BENEFITS HAVE BEEN REVIEWED, EXAMINED OR APPROVED BY THE IRS. The Company must furnish the registration number to the Unitholders, and a Unitholder who sells or otherwise transfers a Unit in a subsequent transaction must furnish the registration number to the transferee. The penalty for failure of the transferor of a Unit to furnish the registration number to the transferee is $100 for each such failure. The Unitholders must disclose the tax shelter registration number of the Company on Form 8271 to be attached to the tax return on which any income, gain, loss, deduction or credit of the Company is included. A Unitholder who fails to disclose the tax shelter registration number on his return, without reasonable cause for that failure, will be subject to a $250 penalty for each failure. Any penalties discussed herein are not deductible for federal income tax purposes. Registration as a tax shelter may increase the risk of an audit.

Accuracy-Related Penalties

An additional tax equal to 20% of the amount of any portion of an underpayment of tax which is attributable to one or more of certain listed causes, including negligence or disregard of rules or regulations, substantial understatements of income tax and substantial valuation misstatements, is imposed by the Code. No penalty will be imposed, however, with respect to any portion of an underpayment if it is shown that there was a reasonable cause for that portion and that the taxpayer acted in good faith with respect to that portion.

A substantial understatement of income tax in any taxable year exists if the amount of the understatement exceeds the greater of 10% of the tax required to be shown on the return for the taxable year or $5,000 ($10,000 for most corporations). The amount of any understatement subject to penalty generally is reduced if any portion is attributable to a position adopted on the return (i) with respect to which there is, or was, "substantial authority" or (ii) as to which there is a reasonable basis and the pertinent facts of such position are disclosed on the return. Certain more stringent rules apply to "tax shelters," a term that in this context does not appear to include the Company. If any Company item of income, gain, loss, deduction or credit included in the distributive shares of Unitholders might result in such an "understatement" of income for which no "substantial authority" exists, the Company must disclose the pertinent facts on its return. In addition, the Company will make a reasonable effort to furnish sufficient information for Unitholders to make adequate disclosure on their returns to avoid liability for this penalty.

A substantial valuation misstatement exists if the value of any property (or the adjusted basis of any property) claimed on a tax return is 200% or more of the amount determined to be the correct amount of such valuation or adjusted basis. No penalty is imposed unless the portion of the underpayment attributable to a substantial valuation misstatement exceeds $5,000 ($10,000 for most corporations). If the valuation claimed on a return is 400% or more than the correct valuation, the penalty imposed increases to 40%.

A publicly traded partnership, such as the Company, may encounter situations in which it is difficult for the partnership to fully and accurately comply with all federal tax reporting requirements. Ownership of partnership interests by nominees (e.g., in street name of broker) increases this difficulty. If a partnership fails to comply with such requirements, certain penalties could be assessed against the partnership or its partners.

STATE, LOCAL AND OTHER TAX CONSIDERATIONS

In addition to federal income taxes, Unitholders will be subject to other taxes, such as state and local income taxes, unincorporated business taxes, and estate, inheritance or intangible taxes that may be imposed by the various jurisdictions in which the Company does business or owns property. Although an analysis of those various taxes is not presented here, each prospective Unitholder should consider the potential impact of such taxes on his investment in the Company. A Unitholder will be required to file state income tax returns and to pay state income taxes in some or all of the states in which the Company does business or owns property and may be subject to penalties for failure to comply with those requirements. In certain states, tax losses may not produce a tax benefit in the year incurred (if, for example, the Company has no income from sources within that state) and also may not be available to offset income in subsequent taxable years. Some of the states may require the Company, or the Company may elect, to withhold a percentage of income from amounts to be distributed to a Unitholder who is not a resident of the state. Withholding, the amount of which may be greater or less than a particular Unitholder's income tax liability to the state, generally does not relieve the non-resident Unitholder from the obligation to file an income tax return. Amounts withheld may be treated as if distributed to Unitholders for purposes of determining the amounts distributed by the Company. See "--Disposition of Common Units--Entity-Level Collections." Based on current law and its estimate of future Company operations, the General Partner anticipates that any amounts required to be withheld will not be material.

It is the responsibility of each Unitholder to investigate the legal and tax consequences, under the laws of pertinent states and localities of his investment in the Company. Accordingly, each prospective Unitholder should consult, and must depend upon, his own tax counsel or other advisor with regard to those matters. Further, it is the responsibility of each Unitholder to file all state and local, as well as U.S. federal, tax returns that may be required of such Unitholder. Counsel has not rendered an opinion on the state or local tax consequences of an investment in the Company.

INVESTMENT IN THE COMPANY BY EMPLOYEE BENEFIT PLANS

An investment in the Company by an employee benefit plan is subject to certain additional considerations because the investments of such plans are subject to the fiduciary responsibility and prohibited transaction provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and restrictions imposed by Section 4975 of the Code. As used herein, the term "employee benefit plan" includes, but is not limited to, qualified pension, profit-sharing and stock bonus plans, Keogh plans, simplified employee pension plans and tax deferred annuities or IRAs established or maintained by an employer or employee organization. Among other things, consideration should be given to (a) whether such investment is prudent under Section 404(a)(1)(B) of ERISA; (b) whether in making such investment, such plan will satisfy the diversification requirement of Section 404(a)(1)(C) of ERISA; and (c) whether such investment will result in recognition of unrelated business taxable income by such plan and, if so, the potential after-tax investment return. See "Tax Considerations--Uniformity of Units--Tax-Exempt Organizations and Certain Other Investors." The person with investment discretion with respect to the assets of an employee benefit plan (a "fiduciary") should determine whether an investment in the Company is authorized by the appropriate governing instrument and is a proper investment for such plan.

Section 406 of ERISA and Section 4975 of the Code (which also applies to IRAs that are not considered part of an employee benefit plan) prohibit an employee benefit plan from engaging in certain transactions involving "plan assets" with parties that are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to the plan.

In addition to considering whether the purchase of Common Units is a prohibited transaction, a fiduciary of an employee benefit plan should consider whether such plan will, by investing in the Company, be deemed to own an undivided interest in the assets of the Company, with the result that the General Partner also would be a fiduciary of such plan and the operations of the Company would be subject to the regulatory restrictions of ERISA, including its prohibited transaction rules, as well as the prohibited transaction rules of the Code.

The Department of Labor regulations provide guidance with respect to whether the assets of an entity in which employee benefit plans acquire equity interests would be deemed "plan assets" under certain circumstances. Pursuant to these regulations, an entity's assets would not be considered to be "plan assets" if, among other things, (a) the equity interest acquired by employee benefit plans are publicly offered securities--i.e., the equity interests are widely held by 100 or more investors independent of the issuer and each other, freely transferable and registered pursuant to certain provisions of the federal securities laws, (b) the entity is an "Operating Partnership"--i.e., it is primarily engaged in the production or sale of a product or service other than the investment of capital either directly or through a majority owned subsidiary or subsidiaries, or (c) there is no significant investment by benefit plan investors, which is defined to mean that less than 25% of the value of each class of equity interest (disregarding certain interests held by the General Partner, its affiliates, and certain other persons) is held by the employee benefit plans referred to above, IRAs and other employee benefit plans not subject to ERISA (such as governmental plans). The Company's assets should not be considered "plan assets" under these regulations because it is expected that the investment will satisfy the requirements in (a) and (b) above and may also satisfy the requirements in (c).

Plan fiduciaries contemplating a purchase of Common Units should consult with their own counsel regarding the consequences under ERISA and the Code in light of the serious penalties imposed on persons who engage in prohibited transactions or other violations.

UNDERWRITING

Under the terms and subject to the conditions contained in the Underwriting Agreement, the form of which is filed as an exhibit to the Registration Statement of which this Prospectus forms a part, the Underwriters named below (the "Underwriters"), for whom Lehman Brothers Inc., A.G. Edwards & Sons, Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, PaineWebber Incorporated, Prudential Securities Incorporated, Smith Barney Inc., Dain Rauscher Wessels, a division of Dain Rauscher Incorporated ("Dain Rauscher Wessels"), and Raymond James & Associates, Inc. are acting as representatives (the "Representatives"), have severally agreed to purchase from the Company, and the Company has agreed to sell to each Underwriter, the number of Common Units set forth opposite the name of such Underwriter below:

UNDERWRITERS	NUMBER OF COMMON UNITS
Lehman Brothers Inc.	
A.G. Edwards & Sons, Inc.	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
PaineWebber Incorporated	
Prudential Securities Incorporated	
Smith Barney Inc.	
Dain Rauscher Wessels	
Raymond James & Associates, Inc.	
Total	17,200,000

The Underwriters propose to offer the Common Units to the public at the initial public offering price set forth on the cover page of this Prospectus and to certain dealers at such initial public offering price less a selling concession not in excess of $ per Common Unit. The Underwriters may allow, and such dealers may reallow, a concession not in excess of $ per Common Unit to certain other Underwriters or to certain other brokers or dealers. After the initial offering of the Common Units to the public, the offering price and other selling terms may from time to time be charged by the Representatives.

The Underwriting Agreement provides that the obligations of the Underwriters to pay for and accept delivery of the Common Units offered hereby are subject to approval of certain legal maters by counsel and to certain other conditions, including the condition that no stop order suspending the effectiveness of the Registration Statement is in effect and no proceedings for such purpose are pending or threatened by the Commission, and that there has been no material adverse change or development involving a prospective material adverse change in the condition of the Company from that set forth in the Registration Statement otherwise than as set forth or contemplated in this Prospectus, and that certain certificates, opinions and letters have been received from the Company and its counsel. The Underwriters are obligated to take and pay for all Common Units (other than those covered by the Underwriters' over-allotment option described below) if any such Common Units are taken.

The Company, the Operating Partnership, the General Partner, EPCO and certain of their affiliates have agreed in the Underwriting Agreement to indemnify the Underwriters against certain civil liabilities, including liabilities under the Securities Act, and to contribute to payments that the Underwriters may be required to make in respect thereof.

The Company has granted to the Underwriters an option to purchase up to an additional 2,580,000 Common Units, exercisable solely to cover over-allotments, at the initial public offering price, less the underwriting

discounts and commissions shown on the cover page of this Prospectus. Such option may be exercised at any time until 30 days after the date of the Underwriting Agreement. To the extent that the option is exercised, each Underwriter will be committed, subject to certain conditions, to purchase a number of the additional Common Units that is proportionate to such Underwriter's initial commitment as indicated on the preceding table.

The Company, the General Partner, EPCO and the officers and directors of the General Partner have agreed that they will not, without the prior written consent of Lehman Brothers Inc., during the 180 days following the date of this Prospectus, (i) offer for sale, sell, pledge or otherwise dispose of (or enter into any transaction or device which is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any Common Units or any securities that are convertible into, or exercisable or exchangeable for, or that represent the right to receive, Common Units or any securities that are senior to or pari passu with the Common Units, or (ii) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or rights of ownership of such Common Units.

The Representatives have informed the Company that the Underwriters do not intend to confirm sales to accounts over which they exercise discretionary authority without the prior written approval of the transaction by the customer.

Until the distribution of the Common Units is completed, the rules of the Commission may limit the ability of the Underwriters and certain selling group members to bid for and purchase Common Units. As an exception to these rules, the Representatives are permitted to engage in certain transactions that stabilize the price of the Common Units. Such transactions may consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the Common Units.

In addition, if the Representatives over-allot (i.e., if they sell more Common Units than are set forth on the cover page of this Prospectus), and thereby create a short position in the Common Units in connection with the offering, the Representatives may reduce that short position by purchasing Common Units in the open market. The Representatives may also elect to reduce any short position by exercising all or part of the over-allotment option described herein.

The Representatives may also impose a penalty bid on certain Underwriters and selling group members. This means that if the Representatives purchase Common Units in the open market to reduce the Underwriters' short position or to stabilize the price of the Common Units, they may reclaim the amount of the selling concession from the Underwriters and selling group members who sold those shares as part of the offering.

In general, purchases of a security for the purpose of stabilization or to reduce a syndicate short position could cause the price of the security to be higher than it might otherwise be in the absence of such purchases. The imposition of a penalty bid might have an effect on the price of a security to the extent that it were to discourage resales of the security by purchasers in the offering.

Neither the Company nor any of the Underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Common Units. In addition, neither the Company nor any of the Underwriters makes any representation that the Representatives will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

Prior to the offering, there has been no public market for the Common Units. The initial public offering price will be negotiated between the General Partner and the Representatives. The factors to be considered in determining the initial public offering price of the Common Units will include the history of and prospects for the Company's business and the industry in which it competes, an assessment of the Company's management and the present state of the Company's development, the past and present revenues, earnings and cash flows of the Company, the prospects for growth of the Company's revenues, earnings and cash flows, the current state of the economy in the United States, the current level of economic activity in the industry in which the Company

competes and in related or comparable industries, and currently prevailing conditions in the securities markets, including current market valuations of public traded companies which are comparable to the Company. The initial public offering price set forth on the cover page of this Prospectus should not, however, be considered an indication of the actual value of the Common Units. Such price will be subject to change as a result of market conditions and other factors. There can be no assurance that an active trading market will develop for the Common Units or that the Common Units will trade in the public market subsequent to the offering at or above the initial public offering price.

Application has been made to have the Common Units approved for listing on the NYSE, under the symbol "   ."

Because the National Association of Securities Dealers, Inc. ("NASD") views the Common Units offered hereby as interests in a direct participation program, the offering is being made in compliance with Rule 2810 of the NASD's Conduct Rules. Investor suitability with respect to the Common Units should be judged similarly to the suitability with respect to other securities that are listed for trading on a national securities exchange.

VALIDITY OF THE COMMON UNITS

The validity of the Common Units will be passed upon for the Company by Vinson & Elkins L.L.P., Houston, Texas. Certain legal matters in connection with the Common Units offered hereby are being passed upon for the Underwriters by Baker & Botts, L.L.P., Houston, Texas.

EXPERTS

The audited financial statements included in this Prospectus have been audited by Deloitte & Touche LLP, independent public accountants, as stated in their reports appearing herein, and are included in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

AVAILABLE INFORMATION

The Company has not previously been subject to the informational requirements of the Exchange Act. The Company has filed with the Securities and Exchange Commission (the "Commission") a Registration Statement on Form S-1 (the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the Common Units offered hereby. This Prospectus, which constitutes a part of the Registration Statement, does not contain all of the information set forth in the Registration Statement, certain items of which are contained in exhibits and schedules to the Registration Statement as permitted by the rules and regulations of the Commission. For further information with respect to the Company and the Common Units offered hereby, reference is made to the Registration Statement, including the exhibits and schedules thereto. Statements made in this Prospectus concerning the contents of any contract, agreement or other document are not necessarily complete; with respect to each such contract, agreement or other document filed as an exhibit to the Registration Statement, reference is made to the exhibit for a more complete description of the matter involved, and each such statement is qualified in its entirety by such reference. The Registration Statement and the exhibits and schedules thereto filed with the Commission by the Company may be inspected and copied at the public reference facilities maintained by the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the regional offices of the Commission located at 7 World Trade Center, Suite 1300, New York, New York 10048 and 500 West Madison Street, Chicago, Illinois 60661. Copies of such material can also be obtained upon written request from the Public Reference Section of the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates or from the Commission's Web site on the Internet at http://www.sec.gov.

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UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed financial information for the Company gives effect to the Transactions, including the public offering and sale of the Common Units and the application of the net proceeds therefrom as described in "Use of Proceeds." The information presented is derived from, should be read in conjunction with, and is qualified in its entirety by reference to the historical combined financial statements, and notes thereto, of the Company appearing elsewhere in this Prospectus.

The unaudited pro forma condensed balance sheet was prepared as if the Transactions had occurred on December 31, 1997. The unaudited pro forma condensed statement of operations was prepared as if the Transactions had occurred on January 1, 1997. See "The Transactions."

The pro forma adjustments are based upon currently available information and certain estimates and assumptions, and therefore, the actual adjustments may differ from the unaudited pro forma adjustments. However, management believes that the assumptions provide a reasonable basis for presenting the significant effects of the Transactions as contemplated and that the unaudited pro forma adjustments give appropriate effect to those assumptions and are properly applied in the unaudited pro forma financial statements. The unaudited pro forma condensed balance sheet and statement of operations are not necessarily indicative of the financial position or results of operations of the Company as they might have been if the Transactions had actually occurred on the dates indicated above. Likewise, the unaudited pro forma information is not necessarily indicative of future financial position or future results of operations of the Company.

PRO FORMA CONDENSED BALANCE SHEET
DECEMBER 31, 1997
(UNAUDITED)
(DOLLARS IN THOUSANDS)

ASSETS	HISTORICAL	PRO FORMA ADJUSTMENTS	PRO FORMA AS ADJUSTED
CURRENT ASSETS			
Cash and cash equivalents	$ 18,941	$ 371,800 (a) (264,816)(b) (12,949)(c) 4,522 (e) (41,606)(f)	$ 75,892
Restricted cash	4,522	(4,522)(e)	
Accounts and notes receivable--trade	76,533		76,533
Inventories	18,935		18,935
Prepaid and other current assets	8,471	(137)(d)	8,334
Current maturity of notes receivable from unconsolidated subsidiaries		14,976 (f)	14,976
Total current assets	127,402		$194,670
PROPERTY, PLANT AND EQUIPMENT, Net	513,727		513,727
NOTES RECEIVABLE FROM UNCONSOLIDATED AFFILIATES		26,630 (f)	26,630
INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED AFFILIATES	55,875		55,875
OTHER ASSETS	1,259	(1,052)(d)	207
TOTAL	$698,263		$791,109
LIABILITIES AND COMBINED EQUITY			
CURRENT LIABILITIES			
Current maturities of long-term debt	$ 39,457	(39,457)(b)	
Accounts payable--trade	76,591		$ 76,591
Accrued gas payables	45,668		45,668
Accrued expenses	8,638		8,638
Other current liabilities	21,544	(4,275)(b)	17,269
Total current liabilities	191,898		148,166
MINORITY INTEREST	2,853	3,576 (g)	6,429
LONG-TERM DEBT	221,084	(221,084)(b)	
COMBINED EQUITY	282,428	(12,949)(c) (1,189)(d) (268,290)(g)	--
Partners' equity			
Common units		371,800 (a) 152,399 (g)	524,199
Subordinated units		105,886 (g)	105,886
General partner interest		6,429 (g)	6,429
TOTAL	$698,263		$791,109

See notes on following page

NOTES TO UNAUDITED PRO FORMA CONDENSED BALANCE SHEET

(a) Reflects the net cash proceeds of $371.8 million from the sale of 17,200,000 Common Units at an offering price of $23.25 per Common Unit, after deducting underwriting discounts and commissions and estimated offering expenses of $28.1 million.

(b) Reflects the repayment of $260.5 million of debt assumed from EPCO and related accrued interest of $4.3 million.

(c) Reflects the payment of $12.9 million for make-whole payments required to be paid as a result of the repayment of the debt assumed from EPCO.

(d) Reflects the write-off of unamortized debt cost included in prepaid and other current assets and other assets as a result of the repayment of debt assumed from EPCO.

(e) Reflects the reclassification of restricted cash to cash and cash equivalents as a result of the elimination of the requirement to restrict certain cash under EPCO's debt agreements due to repayment of all debt assumed from EPCO.

(f) Reflects the purchase of $41.6 million of participation interests in bank notes of its unconsolidated affiliates, BEF and Mont Belvieu Associates.

(g) Reflects the reclassification of EPCO's combined equity to the components of partners' equity of the Company.

PRO FORMA CONDENSED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1997
(UNAUDITED)

(DOLLARS IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)

		PRO FORMA	
	HISTORICAL	ADJUSTMENT	AS ADJUSTED
REVENUES	$1,020,281		$1,020,281
COST AND EXPENSES			
Operating costs and expenses	937,068	(1,100)(a)	935,968
Selling, general and administrative expenses	23,235	(11,235)(a)	12,000
Total	960,303		947,968
OPERATING INCOME	59,978		72,313
OTHER INCOME (EXPENSE)			
Interest expense	(23,743)	23,743 (b)	--
Interest income	1,934	3,296 (c)	5,230
Equity in income of unconsolidated affiliates	15,682		15,682
Loss on sale of assets	(155)		(155)
Other income (expense), net	793		793
Total	(5,489)		21,550
INCOME BEFORE MINORITY INTEREST	54,489		93,863
MINORITY INTEREST	545	394 (d)	939
NET INCOME	$ 53,944		92,924
GENERAL PARTNER'S INTEREST IN NET INCOME			929
LIMITED PARTNERS' INTEREST IN NET INCOME			$ 91,995
NET INCOME PER UNIT			$ 1.25
NUMBER OF UNITS TO BE ISSUED			73,827

See notes on following page

NOTES TO UNAUDITED PRO FORMA CONDENSED STATEMENT OF OPERATIONS

(a) Reflects the reduction in selling, general and administrative and operating expenses to the amount of the administrative fee to be paid to EPCO in the first year of the EPCO Agreement.

(b) Reflects the elimination of interest expense due to the repayment of all debt assumed from EPCO.

(c) Reflects interest income earned on the purchase of $41.6 million of participation interests in bank notes of EPCO's unconsolidated affiliates, BEF and Mont Belvieu Associates.

(d) Reflects the additional minority interest associated with the pro forma adjustments for the 1% minority interest of the Operating Partnership held by the General Partner.

INDEPENDENT AUDITORS' REPORT

ENTERPRISE PRODUCTS PARTNERS L.P.:

We have audited the accompanying combined balance sheets of Enterprise Products Partners L.P. (the "Company"), (as defined in note 1 to the financial statements), as of December 31, 1996 and 1997, and the related statements of combined operations, combined cash flows and combined equity for each of the years in the three year period ended December 31, 1997. These combined financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these combined financial statements based on our audits.

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

In our opinion, such combined financial statements present fairly, in all material respects, the financial position of the Company at December 31, 1996 and 1997, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 1997 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

Houston, Texas
May 8, 1998

ENTERPRISE PRODUCTS PARTNERS L.P.
COMBINED BALANCE SHEETS
DECEMBER 31, 1996 AND 1997

(DOLLARS IN THOUSANDS)

ASSETS	1996	1997
CURRENT ASSETS		
Cash and cash equivalents, including restricted cash of $3,351 in 1996 and $4,522 in 1997	$ 28,329	$ 23,463
Accounts receivable--trade	105,557	76,533
Inventories	26,264	18,935
Prepaid and other current assets	9,642	8,471
Total current assets	169,792	127,402
PROPERTY, PLANT AND EQUIPMENT, Net	497,930	513,727
INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED AFFILIATES	42,847	55,875
OTHER ASSETS	1,625	1,259
TOTAL	$712,194	$698,263
LIABILITIES AND COMBINED EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 36,480	$ 39,457
Accounts payable--trade	79,911	76,591
Accrued gas payables	72,623	45,668
Accrued expenses	14,164	8,638
Other current liabilities	20,192	21,544
Total current liabilities	223,370	191,898
LONG-TERM DEBT	209,608	221,084
MINORITY INTEREST	2,308	2,853
COMMITMENTS AND CONTINGENCIES		
COMBINED EQUITY	276,908	282,428
TOTAL	$712,194	$698,263

See Notes to Combined Financial Statements.

ENTERPRISE PRODUCTS PARTNERS L.P.

STATEMENTS OF COMBINED OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997
(DOLLARS IN THOUSANDS)

	1995	1996	1997
REVENUES	$790,080	$999,506	$1,020,281
COST AND EXPENSES			
Operating costs and expenses	726,207	906,367	937,068
Selling, general and administrative	22,822	24,345	23,235
Total	749,029	930,712	960,303
OPERATING INCOME	41,051	68,794	59,978
OTHER INCOME (EXPENSE)			
Interest expense	(24,349)	(21,290)	(23,743)
Interest income	554	2,705	1,934
Equity in income of unconsolidated affiliates	12,274	15,756	15,682
Gain (loss) on sale of assets	7,948	--	(155)
Other, net	305	364	793
Total	(3,268)	(2,465)	(5,489)
INCOME BEFORE MINORITY INTEREST	37,783	66,329	54,489
MINORITY INTEREST	(378)	(663)	(545)
NET INCOME	$ 37,405	$ 65,666	$ 53,944

See Notes to Combined Financial Statements.

ENTERPRISE PRODUCTS PARTNERS L.P.

STATEMENTS OF COMBINED CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997
(DOLLARS IN THOUSANDS)

	1995	1996	1997
OPERATING ACTIVITIES			
Net income	$ 37,405	$ 65,666	$ 53,944
Adjustments to reconcile net income to cash flows provided from operating activities:			
Minority interest	378	663	545
Depreciation and amortization	15,327	15,742	17,684
Equity in income of unconsolidated affiliates	(12,274)	(15,756)	(15,682)
(Gain) loss on sale of assets	(7,948)		155
Net effect of changes in operating accounts	(17,146)	28,939	3,441
Operating activities cash flows	15,742	95,254	60,087
INVESTING ACTIVITIES			
Capital expenditures	(22,250)	(61,010)	(33,636)
Proceeds from sale of assets	3,053	25	--
Unconsolidated affiliates:			
Investments in and advances to	4,946	(3,894)	(4,625)
Distributions received	5,018	7,154	7,279
Investing activities cash flows	(9,233)	(57,725)	(30,982)
FINANCING ACTIVITIES			
Long-term debt:			
Borrowings	8,735	89,201	88,758
Repayments	(36,152)	(66,252)	(74,305)
Net decrease (increase) in restricted cash	(1,076)	1,109	(1,171)
Financing activities cash flows	(28,493)	24,058	13,282
CASH CONTRIBUTIONS FROM (DISTRIBUTIONS TO) PARENT	11,621	(46,418)	(48,424)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(10,363)	15,169	(6,037)
CASH AND CASH EQUIVALENTS, JANUARY 1	20,172	9,809	24,978
CASH AND CASH EQUIVALENTS, DECEMBER 31 (Excluding restricted cash of $4,460 in 1995, $3,351 in 1996 and $4,522 in 1997)	$ 9,809	$ 24,978	$ 18,941

See Notes to Combined Financial Statements.

ENTERPRISE PRODUCTS PARTNERS L.P.

STATEMENTS OF COMBINED EQUITY

FOR THE YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997
(DOLLARS IN THOUSANDS)

Combined Equity, January 1, 1995	$208,634
Net income	37,405
Cash contributions from parent	11,621
Combined Equity, December 31, 1995	257,660
Net income	65,666
Cash distributions to parent	(46,418)
Combined Equity, December 31, 1996	276,908
Net income	53,944
Cash distributions to parent	(48,424)
Combined Equity, December 31, 1997	$282,428

See Notes to Combined Financial Statements.

ENTERPRISE PRODUCTS PARTNERS L.P.

NOTES TO COMBINED FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ENTERPRISE PRODUCTS PARTNERS L.P. (the "Company") was formed on April 9, 1998 as a Delaware limited partnership to own and operate the natural gas liquids ("NGL") business of Enterprise Products Company ("EPCO"). The Company is the limited partner and owns approximately 99% of Enterprise Products Operating L.P. (the "Operating Partnership"), which directly or indirectly owns and operates the NGL facilities. Enterprise Products GP, LLC (the "General Partner") is the general partner and owns approximately 1% of the Operating Partnership. Both the Company and the General Partner are wholly-owned subsidiaries of EPCO.

Prior to their combination, EPCO and its affiliated companies were owned by members of a single family, who collectively owned at least 90% of each of such entities. As of April 30, 1998, the owners of all the affiliated companies exchanged their ownership interests for shares of EPCO. Accordingly, each of the affiliated companies became a wholly-owned subsidiary of EPCO or was merged into EPCO as of April 30, 1998. In accordance with generally accepted accounting principles, the combination of the affiliated companies with EPCO was accounted for as a reorganization of entities under common control in a manner similar to a pooling of interests.

Under terms of a contract, entered into on May 8, 1998, between EPCO and the Operating Partnership, EPCO will contribute all of its NGL assets to the Operating Partnership, and the Operating Partnership will assume certain of EPCO's debt. As a result, the Company will be the successor to the NGL operations of EPCO.

The accompanying combined financial statements include the historical accounts and operations of the NGL business of EPCO, including NGL operations conducted by affiliated companies of EPCO prior to their combination with EPCO. All intercompany balances and transactions have been eliminated in the combined financial statements.

INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED AFFILIATES include entities in which the Company owns 20% to 50% or has the ability to exercise significant influence over the entities' operating and financial policies. The equity method is used to account for such investments.

INVENTORIES, consisting of NGLs and NGL products, are carried at the lower of average cost or market.

EXCHANGES are movements of NGL products between parties to satisfy timing and logistical needs of the parties. NGLs and NGL products borrowed from the Company under such agreements are included in inventories, and NGLs and NGL products loaned to the Company under such agreements are accrued as a liability in accrued gas payables. Accrued gas payables also include amounts due for the purchase of NGL feedstock.

PROPERTY, PLANT AND EQUIPMENT are at cost and are depreciated using the straight-line method. Maintenance, repairs and minor renewals are charged to operations as incurred. Additions, improvements and major renewals are capitalized. The cost of assets retired or sold, together with the related accumulated depreciation, are removed from the accounts, and any gain or loss on disposition is included in income.

REVENUE is recognized when products are shipped or services are rendered.

USE OF ESTIMATES AND ASSUMPTIONS by management that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period are required for the preparation of financial statements in conformity with generally accepted accounting principles. Actual results could differ from these estimates.

FEDERAL INCOME TAXES are generally not provided because the Company and its predecessors had either elected under provisions of the Internal Revenue Code to be a Subchapter S Corporation or were entities that were organized as pass-through entities for federal income tax purposes. As a result, for federal income taxes, the combined taxable income of the Company, as presented in the statement of combined operations, are taxed directly to its owners. State income taxes are not material.

ENVIRONMENTAL COSTS for remediation are accrued based on estimates of known remediation requirements. Such accruals are based upon management's best estimate of the ultimate costs to remediate the site. Ongoing environmental compliance costs are charged to expense as incurred, and expenditures to mitigate or prevent future environmental contamination are capitalized. Environmental costs, accrued environmental liabilities and expenditures to mitigate or eliminate future environmental contamination for each of the years in the three-year period ended December 31, 1997 were not significant to the combined financial statements. The Company's estimated liability for environmental remediation is not discounted.

CASH FLOWS are computed using the indirect method. For cash flow purposes, the Company considers all highly liquid debt instruments with an original maturity of less than three months at the date of purchase to be cash equivalents. All cash presented as restricted cash in the Company's financial statements is due to requirements of the Company's debt agreements.

DOLLAR AMOUNTS presented in the tabulations within the notes to the Company's financial statements are stated in thousands of dollars, unless otherwise indicated.

RECENT STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS ("SFAS") (effective for fiscal years beginning after December 15, 1997) include the following: SFAS 130, Reporting of Comprehensive Income, SFAS 131, Disclosure about Segments of an Enterprise and Related Information and SFAS 132, Employers' Disclosure about Pensions and Other Postretirement Benefits. Management is currently studying these SFAS items for possible impact on the combined financial statements; however, based upon its preliminary assessment of the SFASs, management believes that they will not have a significant impact on the Company's financial statements. On April 3, 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-5, Reporting on the Costs of Start-Up Activities ("SOP 98-5"). For years beginning after December 15, 1998, SOP 98-5 generally requires that all start-up costs of a business activity be charged to expense as incurred and any start-up cost previously deferred should be written-off as a cumulative effect of a change in accounting principle. Management is currently studying SOP 98-5 for its possible impact on the combined financial statements. Based upon its preliminary assessment of SOP 98-5, management believes that SOP 98-5 will not have a material impact on the combined financial statements except for a $4.5 million non-cash write-off at January 1, 1999 of the unamortized balance of deferred start-up costs of Belvieu Environmental Fuels ("BEF"), in which the Company owns a 33 1/3% interest. Such a write-off would cause a $1.5 million reduction in the equity in income of unconsolidated affiliates for 1999 and a corresponding reduction in the Company's investment in unconsolidated affiliates.

2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and accumulated depreciation are as follows:

	ESTIMATED USEFUL LIFE IN YEARS	1996	1997
Plants and pipelines	5-35	$535,674	$599,047
Underground and other storage facilities	5-35	75,396	79,744
Transportation equipment	3-35	1,471	12,393
Land		11,999	12,783
Construction in progress		58,944	12,627
Total		683,484	716,594
Less accumulated depreciation		185,554	202,867
Property, plant and equipment, net		$497,930	$513,727

3. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED AFFILIATES

Investments in unconsolidated affiliates consist primarily of a 33 1/3% interest in BEF and a 49.0% interest in Mont Belvieu Associates. BEF is a general partnership that owns an MTBE production facility located at Mont Belvieu, Texas, adjacent to other facilities owned and operated by the Company. Mont Belvieu Associates is a general partnership that owns a 50.0% interest in an NGL fractionation facility in Texas. The Company also directly owns an additional 12 1/2% interest in the fractionation facility that is partially owned by Mont Belvieu Associates. The Company is the operator for both the BEF and Mont Belvieu Associates plants.

Following is a summary of the Company's investments in and advances to unconsolidated affiliates and the equity in income of unconsolidated affiliates:

	AT DECEMBER 31,	
	1996	1997
Investments in and advances to unconsolidated affiliates:		
BEF	$33,291	$41,278
Mont Belvieu Associates	9,556	11,963
Other	--	2,634
Total	$42,847	$55,875

	FOR THE YEAR ENDED DECEMBER 31,		
	1995	1996	1997
Equity in income of unconsolidated affiliates:			
BEF	$ 6,107	$ 9,752	$ 9,305
Mont Belvieu Associates	6,167	6,004	6,377
Total	$12,274	$15,756	$15,682

BEF

BEF is owned equally (33 1/3%) by Liquid Energy Fuels Corp. ("Liquid"), SUN BEF, Inc. ("SUN BEF") and the Company. Mitchell Energy & Development Corp. is Liquid's ultimate parent company, and Sun Company, Inc. ("Sun") is SUN BEF's ultimate parent company. Following is condensed financial data for BEF:

	AT DECEMBER 31,	
	1996	1997
BALANCE SHEET DATA:		
Current assets	$ 32,248	$ 40,848
Property, plant and equipment, net	193,900	182,945
Other assets	23,020	18,324
Total assets	$249,168	$242,117
Current liabilities	$ 56,141	$ 58,004
Long-term debt	97,778	58,667
Other liabilities	671	2,950
Partners' equity	94,578	122,496

Total liabilities and partners' equity	$249,168	$242,117

	FOR THE YEAR ENDED DECEMBER 31,		
	1995	1996	1997
INCOME STATEMENT DATA:			
Revenues	$121,399	$217,438	$233,218
Expenses	103,077	188,182	205,300
Net income	$ 18,322	$ 29,256	$ 27,918

BEF's partners are required under isobutane supply contracts to provide their pro rata share of BEF's monthly isobutane requirements. If the MTBE plant's isobutane requirements exceed 450,000 barrels for any given month, each of the partners retains the right, but not the obligation, to supply at least one-third of the additional isobutane needed. The purchase price for the isobutane (which generally approximates the established market price) is based upon contracts with the partners.

BEF has a ten-year off-take agreement under which Sun is required to purchase all of the plant's MTBE production through May 2005. Through May 31, 2000, Sun will pay the higher of a contractual floor price or market price (as defined within the agreement) for floor production (193,450,000 gallons per year or 530,000 gallons per day), the market price for production between 530,000 and 588,000 gallons per day and posted spot market prices for production in excess of 588,000 gallons per day. At floor production levels, the contractual floor price is a price sufficient to cover essentially all of BEF's operating costs plus principal and interest payments on its bank term loan. Market price is: (a) toll fee price (cost of feedstock plus approximately $0.484 per gallon during the first two contract years ending May 31, 1997); and (b) at Sun's option, the toll fee price (cost of feedstock plus approximately $0.534 per gallon) or the U.S. Gulf Coast Posted Contract Price for the period from June 1, 1997 through May 31, 2000. For purposes of computing the toll fee price, the feedstock component is based on the Normal Butane Posted Price for the month plus the average purchase price paid by BEF to acquire methanol consumed by the facility during the month. In addition, the floor or market price determined above will be increased $0.03 per gallon in the third and fourth contract years and by about $0.04 per gallon in the fifth contract year. Beginning June 1, 2000, through the remainder of the agreement, the price for all production will be based upon a market-related negotiated price.

The contracted floor price paid by Sun for production in 1995, 1996 and 1997 exceeded the spot market price for MTBE. At December 31, 1997, the floor price paid for MTBE by Sun was $1.0392 per gallon, compared to an average Gulf Coast spot market price for MTBE during 1997 of $0.83 per gallon.

Substantially all revenues earned by BEF are from the production of MTBE which is sold to Sun. This concentration could impact BEF's exposure to credit risk; however, such risk is reduced since Sun has an equity interest in BEF. Management believes that BEF is exposed to minimal credit risk. BEF does not require collateral for its receivables from Sun.

Long-term debt of BEF consists of a $97.8 million five-year, floating interest rate bank term note payable which is due in equal quarterly installments of $9.8 million through June 2000. The debt is non-recourse debt to the partners. BEF has an interest rate cap agreement (based on a LIBOR rate of 7%) with a notional amount of $31 million at December 31, 1997. The interest rate cap agreement provides that the notional amount will decrease $4.5 million each quarter through May 1999. BEF intends to hold the contract through its expiration date and use it as a means of fixing a portion of the interest on the term note payable. While the notional amount is used to express the magnitude of an interest rate cap agreement, the amount subject to credit risk, in the event of nonperformance by a third party, is substantially less. Management does not expect any significant impact to its financial position as a result of nonperformance by a third party. The interest rate cap did not have a significant effect on the net interest rate that BEF recognized for 1995, 1996 or 1997.

The bank term loan agreement contains restrictive covenants prohibiting or limiting certain actions of BEF, including partner distributions, and requiring certain actions by BEF, including the maintenance of specified levels of leverage, as defined, and approval by the banks of certain contracts. As a result of the restrictive covenants, no cash was available for distributions to the partners at December 31, 1997. In addition, the loan agreement requires BEF to restrict a certain portion of cash to pay for the plant's turnaround maintenance and long-term debt service. At December 31, 1996 and 1997, cash of $3.3 million and $13.1 million, respectively, was restricted under terms of the loan agreement. BEF was in compliance with the restrictive covenants at December 31, 1997. The long-term debt is collateralized by substantially all of BEF's assets.

MONT BELVIEU ASSOCIATES

Kinder Morgan Natural Gas Liquids Corporation owns 50%, the Company owns 49% and EPCO owns 1% of Mont Belvieu Associates. Following is the condensed financial data for Mont Belvieu Associates:

	AT DECEMBER 31, 1996	AT DECEMBER 31, 1997
BALANCE SHEET DATA:		
Current assets	$ 6,502	$ 6,125
Property, plant and equipment, net	45,966	45,774
Other assets	--	79
Total assets	$52,468	$51,978
Current liabilities	$ 4,546	$ 4,479
Long-term debt	15,022	11,790
Partners' equity	32,900	35,709
Total liabilities and partners' equity	$52,468	$51,978

	FOR THE YEAR ENDED DECEMBER 31, 1995	1996	1997
INCOME STATEMENT DATA:			
Revenues	$25,795	$26,954	$33,646
Expenses	14,971	16,347	23,034
Net income	$10,824	$10,607	$10,612

Long-term debt of Mont Belvieu Associates represents a $14.4 million bank term note which is payable over a six-year amortization schedule and a balloon payment in December 2001. Interest on the bank term note payable bears interest at LIBOR plus 0.75%. The loan is non-recourse to the partners and is secured by Mont Belvieu Associates' rights under the operating agreement of the facility with the joint owners. The bank agreement contains no restrictions on the payment of distributions to the partners.

All of Mont Belvieu Associates' revenues are derived from NGL fractionation services to customers in the Gulf Coast area. This concentration could impact Mont Belvieu Associates' exposure to credit risk inasmuch as these customers could be affected by similar economic or other conditions. Management, however, believes that Mont Belvieu Associates is exposed to minimal credit risk. Mont Belvieu Associates generally does not require collateral for its receivables.

4. LONG-TERM DEBT

Long-term debt consisted of the following:

	AT DECEMBER 31, 1996	AT DECEMBER 31, 1997
Insurance Companies:		
Secured notes (five separate series), with interest at 8.82% to 12.10%, due in various annual installments through 2004	$ 69,555	$ 65,395
Senior notes (six separate series), with interest at 8.92% to 11.85%, due in various periodic installments through 2004	55,063	35,345
Subordinated note, with interest at 9.3%, due in annual installments through 2000	5,998	4,498
Banks:		
Revolving credit agreement	--	45,000
Term notes payable (four separate notes), due in quarterly installments through 2003, with interest at variable rates (6.66% to 7.19% at December 31, 1997)	115,472	110,303
Total	246,088	260,541
Less current maturities of long-term debt	36,480	39,457
Long-term debt	$209,608	$221,084

Maturities of long-term debt at December 31, 1997 are as follows: $39.4 million in 1998; $48.1 million in 1999; $77.0 million in 2000; $30.5 million in 2001; $34.7 million in 2002; and $30.8 million thereafter.

The bank term notes payable bear interest at various interest rates based on the banks' prime interest rate, the banks' fixed certificate of deposit rate or the Eurodollar rate. The Company periodically elects the basis for the interest rate. The weighted average interest rate on such bank term notes payable at December 31, 1997 ranged from 6.66% to 7.19%. There are no requirements to maintain any compensating cash balances, nor is there any annual bank fees payable under the loan agreements governing these bank term notes payable.

At December 31, 1997, the Company had a $60 million revolving credit agreement with a bank under which proceeds from loans must be used for working capital purposes and for general partnership purposes. The agreement does not require the repayment of the entire balance, or any portion thereof, for any interim period prior to the expiration of the agreement in 2000; accordingly, amounts borrowed under the agreement are presented as long-term debt in the balance sheets. Interest on borrowings under the revolving credit agreement are at variable rates based upon, at the Company's option, the bank's prime interest rate, the bank's fixed certificate of deposit rate or the Eurodollar interest rate. During 1997, the average borrowings and maximum borrowings under the revolving credit agreement (and predecessor agreement) were $41 million and $60 million, respectively. The weighted average interest rate for borrowings under the agreement for 1997 and at December 31, 1997 was 6.69% and 6.88%, respectively. The agreement does not require the maintenance of any compensating cash balances; however, the agreement requires that the Company pay annual fees equal to 0.3% of the committed amount plus 1.125% of the unused portion of the committed amount.

At December 31, 1997, the Company had $20 million of standby letters of credit available, and approximately $1.0 million of letters of credit were outstanding under letter of credit agreements with the banks.

The credit agreements with the insurance companies and the banks contain restrictive covenants prohibiting or limiting certain actions of the Company, including payment of cash distributions to owners, making of certain investments and incurring any additional debt. Additionally, the credit agreements require certain actions by the Company including the maintenance of

specified levels of working capital and tangible net worth, as

defined by the agreements. The Company was in compliance with these restrictive covenants at December 31, 1997. Based upon the various credit agreements, no cash distributions could be made from the combined equity at December 31, 1997.

At December 31, 1997, combined equity includes undistributed net earnings of unconsolidated affiliates of $25.1 million.

Property, plant and equipment with an aggregate cost of $107.3 million was pledged as collateral for various long-term debt.

5. MAJOR CUSTOMERS

A customer owns a 45.4% undivided interest in a plant and the related pipeline system and leases such undivided interest in the facility to the Company. The agreement with the customer expires in 2004. There are two successive options to extend the term for 12 years each remaining under the original agreement. Revenues from sales to this customer were approximately $147.0 million, $114.1 million and $147.6 million for 1995, 1996 and 1997, respectively.

In addition, the Company has supply and transportation contracts with another customer. Under the supply contract, the Company sells approximately 450,000 barrels of isobutane per month to the customer. Under the transportation contract, the Company delivers the product sold at a transportation fee of approximately $0.75 per gallon. The supply and transportation contracts expire June 30, 1998 unless the Company and the customer mutually agree to extend such contracts. Revenues from sales to this customer were approximately $113.4 million in 1996.

6. RELATED PARTY TRANSACTIONS

The Company has no employees. All management, administrative and operating functions are performed by employees of EPCO. Operating costs and expenses include charges for EPCO's employees who operate the Company's various facilities. Such charges are based upon EPCO's actual salary costs and related fringe benefits. Because the Company's operations constitute the most significant portion of EPCO's combined operations, selling, general and administrative expenses reported in the accompanying statement of combined operations include all such expenses incurred by EPCO less amounts specifically allocated to other subsidiaries or operating divisions of EPCO.

In connection with the Transactions, EPCO, the General Partner and the Company will enter into the EPCO Agreement pursuant to which (i) EPCO will agree to manage the business and affairs of the Company and the Operating Partnership; (ii) EPCO will agree to employ the operating personnel involved in the Company's business for which EPCO will be reimbursed by the Company at cost; (iii) the Company and the Operating Partnership will agree to participate as named insureds in EPCO's current insurance program, and costs will be allocated among the parties on the basis of formulas set forth in the agreement; (iv) EPCO will agree to grant an irrevocable, non-exclusive worldwide license to all of the trademarks and tradenames used in its business to the Company; and (v) EPCO will agree to sublease all of the equipment which it holds pursuant to the Retained Leases to the Company for $1 per year and assign its purchase options under such leases to the Company. Pursuant to the EPCO Agreement, EPCO will be reimbursed at cost for all expenses that it incurs in connection with managing the business and affairs of the Company, except that EPCO will not be entitled to be reimbursed for any selling, general and administrative expenses. In lieu of reimbursement for such selling, general and administrative expenses, EPCO will be entitled to receive an administrative services fee that will initially equal

$12.0 million. The General Partner, with the approval and consent of the Audit and Conflicts Committee, will have the right to agree to increases in such administrative services fee of up to 10% each year during the 10-year term of the EPCO Agreement and may agree to further increases in such fee in connection with expansions of the Company's operations through the construction of new facilities or the completion of acquisitions that require additional management personnel.

EPCO also operates BEF's and Mont Belvieu Associates' plants and charges them for actual salary costs and related fringe benefits. In addition, EPCO charged BEF and Mont Belvieu Associates $1.1 million for administrative services for each of the years ended December 31, 1995, 1996 and 1997. Such administrative charges are based upon contracts between the parties.

EPCO has operating leases covering various assets used by the Company. Included in selling, general and administrative expenses and operating costs and expenses on the accompanying statement of combined operations is rental expense of $23.4 million, $26.3 million and $29.6 million for 1995, 1996 and 1997, respectively, for these leases. Substantially all long-term lease obligations will be retained by EPCO, who will sublease certain operating assets to the Company for $1 per year. Rental expense, included in operating costs and expenses, for such leases was $10.5 million, $11.4 million and $13.3 million for 1995, 1996 and 1997, respectively.

The Company also has transactions in the normal course of business with BEF, Mont Belvieu Associates and other subsidiaries and divisions of EPCO. Such transactions include the buying and selling of NGL products and the transportation of NGL products by truck.

Following is a summary of significant transactions with related parties:

	FOR THE YEAR ENDED DECEMBER 31,		
	1995	1996	1997
STATEMENTS OF COMBINED OPERATIONS:			
Revenues from NGL products sold to:			
Unconsolidated affiliates	$25,296	$41,653	$44,392
Other EPCO subsidiaries	7	10,292	19,029
Cost of NGL product purchased from:			
Unconsolidated affiliates	3,803	7,339	8,453
Other EPCO subsidiaries	2,013	3,944	6,495
Operating expenses charged for trucking of NGL products	9,276	9,114	7,606

	AT DECEMBER 31,	
	1996	1997
COMBINED BALANCE SHEETS:		
Accounts receivable--trade	$6,649	$4,442
Accounts payable and accrued expenses	10,209	7,863

7. COMMITMENTS AND CONTINGENCIES

Storage Commitments

The Company stores NGL products for various third parties. Under the terms of the storage agreements, the Company is generally required to redeliver to the owner its NGL products upon demand. The Company is insured for any physical loss of such NGL products due to catastrophic events. At December 31, 1997, NGL products aggregating 190 million gallons were due to be redelivered to the owners under various storage agreements.

Litigation

EPCO has indemnified the Company against any litigation arising from events or actions prior to its formation. The Company is sometimes named as a defendant in litigation relating to its normal business operations. Although the Company insures itself against various business risks, to the extent management believes it is prudent, there is no assurance that the nature and amount of such insurance will be adequate, in every case, to indemnify the Company against liabilities arising from future legal proceedings as a result of its ordinary business activity. Management is aware of no significant litigation, pending or threatened, that would have a significant adverse effect on the Company's financial position or results of operations.

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosure of estimated fair value was determined by the Company, using available market information and appropriate valuation methodologies. Considerable judgment, however, is necessary to interpret market data and develop the related estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize upon disposition of the financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

CASH AND CASH EQUIVALENTS, ACCOUNTS RECEIVABLE, AND ACCOUNTS PAYABLE AND ACCRUED EXPENSES are carried at amounts which reasonably approximate their fair value at year end.

LONG-TERM DEBT'S fair value was estimated based upon the interest rates currently available to the Company for issuance of debt with similar terms and maturities less any applicable prepayment penalties for the early retirement of the existing debt outstanding. Based on such computation, the Company could replace $239.0 million and $255.6 million (fair value) of its $246.1 million and $260.5 million (carrying value) of outstanding long-term debt at December 31, 1996 and 1997, respectively.

9. SUPPLEMENTAL CASH FLOWS DISCLOSURE

The net effect of changes in operating assets and liabilities is as follows:

	FOR YEAR ENDED DECEMBER 31,		
	1995	1996	1997
(Increase) decrease in:			
Accounts receivable--trade	$(31,432)	$(34,763)	$29,024
Inventories	(1,082)	5,947	7,329
Prepaid and other current assets	(1,215)	(381)	1,171
Other assets	1,871	(303)	366
Increase (decrease) in:			
Accounts payable--trade	(1,782)	35,187	(3,320)
Accrued gas payables	13,932	21,650	(26,955)
Accrued expenses	(6,480)	6,286	(5,526)
Other current liabilities	9,042	(4,684)	1,352
Net effect of changes in operating accounts	$(17,146)	$ 28,939	$ 3,441
Cash payments for interest, net of $1,126, $1,569 and $2,005 capitalized in 1995, 1996 and 1997, respectively	$ 31,463	$ 35,156	$35,135

NON-CASH TRANSACTION: In 1995, the Company received $3.0 million of cash and a pipeline system with a fair market value of $9.2 million in exchange for a 12.5% interest in a raw make transportation and fractionation facility with a net book value of approximately $4.0 million.

10. CONCENTRATION OF CREDIT RISK

A substantial portion of the Company's revenues is derived from the fractionation, isomerization, propylene production, marketing, storage and transportation of NGLs to various companies in the NGL industry, primarily located in the United States. Although this concentration could affect the Company's overall exposure to credit risk since these customers might be affected by similar economic or other conditions, management believes that the Company is exposed to minimal credit risk, since the majority of its business is conducted with major companies within the industry and much of the business is conducted with companies with whom the Company has joint operations. The Company generally does not require collateral for its accounts receivables.

INDEPENDENT AUDITORS' REPORT

ENTERPRISE PRODUCTS GP, LLC:

We have audited the accompanying balance sheet of Enterprise Products GP, LLC (the "Company") as of May 11, 1998. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of the Company, as of May 11, 1998, in conformity with generally accepted accounting principles.

Houston, Texas
May 12, 1998

ENTERPRISE PRODUCTS GP, LLC

BALANCE SHEET

MAY 11, 1998

ASSETS

CASH	$1,000
	======

MEMBERS' EQUITY

MEMBERS' EQUITY	$1,000
	======

See Note to Balance Sheet.

NOTE TO BALANCE SHEET

NATURE OF OPERATIONS

Enterprise Products GP, LLC (the "Company") is a Delaware limited liability company that was formed on May 1, 1998 to become the general partner of Enterprise Products Operating L.P. (the "Operating Partnership"). The Operating Partnership is a limited partnership that was formed to acquire, own and operate all of the natural gas liquids, isomerization, MTBE and propylene processing and distribution assets of Enterprise Products Company. The Company is a wholly-owned subsidiary of Enterprise Products Company.

No transfer of the Common Units evidenced hereby will be registered on the books of the Company, unless the Certificate evidencing the Common Units to be transferred is surrendered for registration or transfer and an Application for Transfer of Common Units has been executed by a transferee either (a) on the form set forth below or (b) on a separate application that the Company will furnish on request without charge. A transferor of the Common Units shall have no duty to the transferee with respect to execution of the transfer application in order for such transferee to obtain registration of the transfer of the Common Units.

APPLICATION FOR TRANSFER OF COMMON UNITS

The undersigned ("Assignee") hereby applies for transfer to the name of the Assignee of the Common Units evidenced hereby.

The Assignee (a) requests admission as a Substituted Limited Partner and agrees to comply with and be bound by, and hereby executes, the Amended and Restated Agreement of Limited Partnership of Enterprise Products Partners L.P. (the "Company"), as amended, supplemented or restated to the date hereof (the "Partnership Agreement"), (b) represents and warrants that the Assignee has all right, power and authority and, if an individual, the capacity necessary to enter into the Partnership Agreement, (c) appoints the General Partner and, if a Liquidator shall be appointed, the Liquidator of the Company as the Assignee's attorney-in-fact to execute, swear to, acknowledge and file any document, including, without limitation, the Partnership Agreement and any amendment thereto and the Certificate of Limited Partnership of the Company and any amendment thereto, necessary or appropriate for the Assignee's admission as a Substituted Limited Partner and as a party to the Partnership Agreement, (d) gives the powers of attorney provided for in the Partnership Agreement and (e) makes the waivers and gives the consents and approvals contained in the Partnership Agreement. Capitalized terms not defined herein have the meanings assigned to such terms in the Partnership Agreement.

Date: _______________________________ -------------------------------------

Signature of Assignee

- -------------------------------------

Social Security or other identifying number of Assignee ------------------------------------- Name and Address of Assignee

- -------------------------------------

Purchase Price including commissions, if any

Type of Entity (check one):
[_] Individual[_] Partnership[_] Corporation
[_] Trust[_] Other (specify) ____

Nationality (check one):
[_] U.S. Citizen, Resident or Domestic Entity[_] Non-resident Alien
[_] Foreign Corporation

If the U.S. Citizen, Resident or Domestic Entity box is checked, the following certification must be completed.

Under Section 1445(e) of the Internal Revenue Code of 1986, as amended (the "Code"), the Company must withhold tax with respect to certain transfers of property if a holder of an interest in the Company is a foreign person. To inform the Company that no withholding is required with respect to the undersigned interestholder's interest in it, the undersigned hereby certifies the following (or, if applicable, certifies the following on behalf of the interestholder).

COMPLETE EITHER A OR B:

A. Individual Interestholder

1. I am not a non-resident alien for purposes of U.S. income taxation.

2. My U.S. taxpayer identification number (Social Security Number) is ____ .

3. My home address is ____ .

B. Partnership, Corporation or Other Interestholder

1. ____ is not a foreign
(Name of Interestholder)
corporation, foreign partnership, foreign trust or foreign estate (as those terms are defined in the Code and Treasury Regulations).

2. The interestholder's U.S. employer identification number is ___________ .

3. The interestholder's office address and place of incorporation (if applicable) is ____ .

The interestholder agrees to notify the Company within sixty (60) days of the date the interestholder becomes a foreign person.

The interestholder understands that this certificate may be disclosed to the Internal Revenue Service by the Company and that any false statement contained herein could be punishable by fine, imprisonment or both.

Under penalties of perjury, I declare that I have examined this certification and to the best of my knowledge and belief it is true, correct and complete and, if applicable, I further declare that I have authority to sign this document on behalf of

----
Name of Interestholder

Signature and Date

Title (if applicable)

Note: If the Assignee is a broker, dealer, bank, trust company, clearing corporation, other nominee holder or an agent of any of the foregoing, and is holding for the account of any other person, this application should be completed by an officer thereof or, in the case of a broker or dealer, by a registered representative who is a member of a registered national securities exchange or a member of the National Association of Securities Dealers, Inc., or, in the case of any other nominee holder, a person performing a similar function. If the Assignee is a broker, dealer, bank, trust company, clearing corporation, other nominee owner or an agent of any of the foregoing, the above certification as to any person for whom the Assignee will hold the Common Units shall be made to the best of the Assignee's knowledge.

GLOSSARY OF TERMS

Adjusted Operating Surplus: 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) of the definition of Operating Surplus.

Audit and Conflicts Committee: A committee of the board of directors of the General Partner composed entirely of two or more directors who are neither officers, employees or security holders of the General Partner nor officers, directors, employees or security holders of any affiliate of the General Partner.

Available Cash: With respect to any quarter prior to liquidation:

(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 borrowings for working capital purposes made subsequent to the end of such quarter, 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, (ii) comply with applicable law or any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which any member of the Partnership Group is a party or by which it is bound or its assets are subject, or (iii) provide funds for distributions under Section 6.4 or 6.5 of the Partnership Agreement in respect of any one or more of the next four quarters; 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 Company 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 of the Company occurs and any subsequent quarter shall equal zero.

Barrel: One barrel equals 42 U.S. gallons.

Capital Account: The capital account maintained for a Partner pursuant to the Partnership Agreement. The Capital Account of a Partner in respect of a general partner interest, a Common Unit, a Subordinated Unit, an Incentive Distribution Right or any other Partnership Interest shall be the amount which such Capital Account would be if such general partner interest, Common Unit, Subordinated Unit, Incentive Distribution Right, or other Partnership Interest were the only interest in the Company held by a Partner from and after the date on which such general partner interest, Common Unit, Subordinated Unit, Incentive Distribution Right or other Partnership Interest was first issued.

Capital Surplus: All Available Cash distributed by the Company from any source will be treated as distributed from Operating Surplus until the sum of all Available Cash distributed since the commencement of the Company equals the Operating Surplus as of the end of the quarter prior to such distribution. Any excess Available Cash will be deemed to be Capital Surplus.

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 a general partner of the Company.

CERCLA and Superfund: Refer generally to the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended.

Closing Date: The first date on which Common Units are sold by the Company to the Underwriters pursuant to the provisions of the Underwriting Agreement.

Code: Internal Revenue Code of 1986, as amended.

Commercial: When used to describe production of NGL products, including isobutane, or high purity propylene, refers to production in facilities which process such products for sale to third parties or as a toll processor for third parties as opposed to production in facilities in which the owner of the facility consumes all or substantially all of the end product.

Commission: United States Securities and Exchange Commission.

Common Unit Arrearage: The amount by which the Minimum Quarterly Distribution in respect of a quarter during the Subordination Period exceeds the distribution of Available Cash from Operating Surplus actually made for such quarter on a Common Unit, cumulative for such quarter and all prior quarters during the Subordination Period.

Common Units: A Unit representing a fractional part of the Partnership Interests of all limited partners and assignees and having the rights and obligations specified with respect to Common Units in the Partnership Agreement.

Company: Enterprise Products Partners L.P., a Delaware limited partnership.

Counsel: Vinson & Elkins L.L.P., special counsel to the General Partner and the Company.

Current Market Price: With respect to any class of Units listed or admitted to trading on any national securities exchange as of any date, the average of the daily Closing Prices (as hereinafter defined) for the 20 consecutive Trading Days (as hereinafter defined) immediately prior to such date. "Closing Price" for any day means the last sale price on such day, regular way, or in case no such sale takes place on such day, the average of the closing bid and asked prices on such day, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the principal national securities exchange (other than the Nasdaq Stock Market) on which the Units of such class are listed or admitted to trading or, if the Units 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 the Units 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 the Units of such class selected by the General Partner, or if on any such day no market maker is making a market in the Units of such class, the fair value of such Units on such day as determined reasonably and in good faith by the General Partner. "Trading Day" means a day on which the principal national securities exchange on which Units of any class are listed or admitted to trading is open for the transaction of business or, if the Units of a class are not listed or admitted to trading on any national securities exchange, a day on which banking institutions in New York City generally are open.

De-ethanizer: A fractionation tower which separates ethane from a mixed stream of NGLs.

Debutanizer: A fractionation tower which separates butanes from a mixed stream of NGLs.

Deisobutanizer: A fractionation tower which separates isobutane from a stream of mixed butane.

Delaware Act: The Delaware Revised Uniform Limited Partnership Act, 6 Del C. (S)17-101, et seq., as amended, supplemented or restated from time to time, and any successor to such statute.

Departing Partner: A former General Partner from and after the effective date of any withdrawal or removal of such former General Partner pursuant to the Partnership Agreement.

Depropanizer: A fractionation tower which separates propane from a mixed stream of NGLs.

EBITDA: Operating income plus depreciation and amortization. EBITDA should not be considered as an alternative to net income, operating income, cash flows from operating activities or any other measure of financial performance presented in accordance with generally accepted accounting principles. EBITDA is not intended to represent cash flow and does not represent the measure of cash available for distribution, but provides additional information for evaluating the Company's ability to make the Minimum Quarterly Distribution.

EPA: Environmental Protection Agency.

EPCO: Enterprise Products Company, a Texas corporation.

EPCO Agreement: The agreement entered into in connection with the Transactions among the Company, the General Partner and EPCO pursuant to which EPCO will provide all of the Company's selling, general and administrative services.

ERISA: Employee Retirement Income Security Act of 1974, as amended.

Exchange Act: Securities Exchange Act of 1934, as amended.

FERC: Federal Energy Regulatory Commission.

Fractionation: The process of separating or refining NGLs into their component products by a process known as fractional distillation.

Fractionator: A processing unit that separates a mixed stream of NGLs into component products by fractionation.

General Partner: Enterprise Products GP, LLC, and its predecessors, successors and permitted assigns as general partner of the Partnership.

HLPSA: Federal Hazardous Liquid Pipeline Safety Act.

ICA: Federal Interstate Commerce Act.

Incentive Distribution Right: A non-voting limited partner Partnership Interest issued to the General Partner, which will confer upon the holder thereof only the rights and obligations specifically provided in the Partnership Agreement with respect to Incentive Distribution Rights (and no other rights otherwise available to or other obligations of holders of a Partnership Interest).

Incentive Distributions: The distributions of Available Cash from Operating Surplus initially made to the General Partner that are in excess of the General Partner's aggregate 2% general partner interest.

Initial Unit Price: An amount per Unit equal to the initial public offering price of the Common Units as set forth on the outside front cover page of this Prospectus.

Interim Capital Transactions: The following transactions if they occur prior to liquidation: (a) borrowings, refinancings and refundings of indebtedness and sales of debt securities (other than for certain working capital purposes) by any member of the Partnership Group; (b) sales of equity interests by any member of the

Partnership Group (including Common Units sold to the Underwriters pursuant to the exercise of their over-allotment option); and (c) sales or other voluntary or involuntary dispositions of any assets of any member of the Partnership Group (other than (i) sales or other dispositions of inventory, accounts receivable and other assets, all in the ordinary course of business and (ii) sales or other dispositions of assets as a part of normal retirements or replacements).

IRS: Internal Revenue Service.

Isomerization: The process of converting normal butane to isobutane by exposing normal butane to a metal catalyst (platinum) in the presence of hydrogen.

Minimum Quarterly Distribution: $0.45 per Unit with respect to each quarter or $1.80 per Unit on an annualized basis, subject to adjustment as described in "Cash Distribution Policy--Adjustment of Minimum Quarterly Distribution and Target Distribution Levels."

MTBE: Methyl tertiary butyl ether, a motor gasoline octane enhancer produced from isobutane and methanol.

NGLs: Natural gas liquids, which consist primarily of ethane, propane, isobutane, normal butane and natural gasoline, and are by-products of the production of natural gas and the refining of crude oil.

Non-citizen Assignee: A Limited Partner or assignee who (i) fails to furnish information about nationality, citizenship, residency or other related status within 30 days after a request by the General Partner for such information, or (ii) the General Partner determines after receipt of such information is not an eligible citizen.

Operating Expenditures: 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 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 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 Partnership: Enterprise Products Operating L.P., a Delaware limited partnership, and any successors thereto.

Operating Partnership Agreement: The Amended and Restated Partnership Agreement of the Operating Partnership, as it may be amended, supplemented or restated from time to time (the form of which has been filed as an exhibit to the registration statement of which this Prospectus is a part).

Operating Surplus: As to any period prior to liquidation, 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 of the Closing Date less $46.5 million, (ii) $60 million and (iii) 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 and (iii) all cash receipts of the Partnership Group after the end of such period but on or before the date of determination of Operating Surplus with respect to such period resulting from borrowings for working capital purposes, 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 member of the Partnership Group or disbursements on behalf of a member of the Partnership Group) or cash reserves established, increased or reduced after the end of such period but on or before the date of determination of Available Cash 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 occurs and any subsequent quarter shall equal zero.

Opinion of Counsel: A written opinion of counsel, acceptable to the General Partner in its reasonable discretion, to the effect that the taking of a particular action will not result in the loss of the limited liability of the limited partners of the Company or cause the Company to be treated as an association taxable as a corporation or otherwise taxed as an entity for federal income tax purposes.

OSHA: Federal Occupational Safety and Health Act.

Partnership Agreement: The Amended and Restated Agreement of Limited Partnership of the Company (the form of which is included in this Prospectus as Appendix A), as it may be amended, restated or supplemented from time to time. Unless the context requires otherwise, references to the Partnership Agreement constitute references to the Partnership Agreement of the Company and to the Operating Partnership Agreement, collectively.

Partnership Group: The Company, the Operating Partnership and any subsidiary of either such entity, treated as a single consolidated entity.

Partnership Interest: An ownership interest in the Company, which shall include the general partner interests and limited partner interests.

Partnership Security: Means any class or series of equity interest in the Company (but excluding any options, rights, warrants and appreciation rights relating to any equity interest in the Company), including, without limitation, Common Units, Subordinated Units and Incentive Distribution Rights.

Propylene Fractionator: A processing facility that separates polymer grade (high purity) propylene from a refinery-sourced propane/propylene mix.

PURPA: Federal Public Utility Regulatory Policy Act of 1978.

RCRA: Federal Resource Conservation and Recovery Act.

Registration Statement: The Registration Statement on Form S-1, as amended (No. 333-   ), filed by the Company with the Commission, relating to the Common Units.

Securities Act: The Securities Act of 1933, as amended.

Subordinated Unit: A Unit representing a fractional part of the partnership interests of all limited partners and assignees (other than of holders of the Incentive Distribution Rights) and having the rights and obligations specified with respect to Subordinated Units in the Partnership Agreement. The term "Subordinated Unit" as used herein does not include a Common Unit.

Subordination Period: The Subordination Period will generally extend from the closing of this offering until the first to occur of: (a) the first day of any quarter beginning after June 30, 2003 in respect of which (i) distributions of Available Cash from Operating Surplus on each of the outstanding Common Units and the Subordinated Units with respect to each of the three consecutive, non-overlapping, four-quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the outstanding Common Units and Subordinated Units during such periods, (ii) the Adjusted Operating Surplus generated during each of the three consecutive, non-overlapping, four-quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the Common Units and Subordinated Units that were outstanding during such periods on a fully-diluted basis (i.e., taking into account for purposes of such determination all Outstanding Common Units, all Outstanding Subordinated Units, all Common Units and Subordinated Units issuable upon exercise of employee options that have, as of the date of determination, already vested or are scheduled to vest prior to the end of the quarter immediately following the quarter with respect to which such determination is made, and all Common Units and Subordinated Units that have as of the date of determination, been earned by but not yet issued to management of the Company in respect of incentive compensation), plus the related distribution on the general partner interests in the Company and the Operating Partnership, and (iii) there are no outstanding Common Unit Arrearages; and (b) the date on which the General Partner is removed as general partner of the Company upon the requisite vote by holders of Outstanding Units under circumstances where Cause does not exist and Units held by the General Partner and its Affiliates are not voted in favor of such removal. Prior to the end of the Subordination Period, a portion of the Subordinated Units will convert into Common Units on a one-for-one basis on the first day after the record date established by the General Partner for any quarter ending on or after (a) June 30, 2001 with respect to one-quarter of the Subordinated Units (5,901,111 Subordinated Units) and (b) June 30, 2002 with respect to an additional one-quarter of the Subordinated Units (5,901,111 Subordinated Units), on a cumulative basis, in respect of which (i) distributions of Available Cash from Operating Surplus on the Common Units and the Subordinated Units with respect to each of the three consecutive, non-overlapping, four-quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the Common Units and Subordinated Units during such periods, (ii) the Adjusted Operating Surplus generated during each of the three consecutive, non-overlapping, four-quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the Common Units and Subordinated Units that were outstanding during such periods on a fully diluted basis (i.e., taking into account for purposes of such determination all Outstanding Common Units, all Outstanding Subordinated Units, all Common Units and Subordinated Units issuable upon exercise of employee options that have, as of the date of determination, already vested or are scheduled to vest prior to the end of the quarter immediately following the quarter with respect to which such determination is made, and all Common Units and Subordinated Units that have as of the date of determination, been earned by but not yet issued to management of the Company in respect of incentive compensation), plus the related distribution on the general partner interests in the Company and the Operating Partnership, and (iii) there are no outstanding Common Unit Arrearages; provided, however, that the early conversion of the second quarter of Subordinated Units may not occur until at least one year following the early conversion of the first quarter of Subordinated Units. In addition, if the General Partner is removed as general partner of the Company under circumstances where Cause does not exist and Units held by the General Partner and its affiliates are not voted in favor of such removal (i) the Subordination Period will end and all outstanding Subordinated Units will immediately and automatically convert into Common Units on a one-for-one basis, (ii) any existing Common Unit Arrearages will be extinguished and (iii) the General Partner will have the right to convert its combined 2% interest in the Company and the Operating Partnership (and all the rights to the Incentive Distributions) into Common Units or to receive cash in exchange for such interests.

Target Distribution Levels: See "Cash Distribution Policy--Incentive Distributions--Hypothetical Annualized Yield."

Transactions: The transactions related to the formation of the Company and the other transactions to occur in connection with this offering.

Transfer Agent: serving as registrar and transfer agent for the Common Units.

Transfer Application: An application for transfer of Units in the form set forth on the back of a certificate, substantially in the form included in this Prospectus as Appendix B, or in a form substantially to the same effect in a separate instrument.

Unitholders: Holders of the Common Units and the Subordinated Units, collectively.

Unit Majority: During the Subordination Period, at least a majority of the outstanding Common Units, excluding Common Units held by the General Partner and its affiliates, and, thereafter, at least a majority of the outstanding Units.

Units: The Common Units and the Subordinated Units, collectively, but not including the right to receive Incentive Distributions.

Unrecovered Capital: At any time, the Initial Unit Price, less the sum of all distributions theretofore made in respect of an Initial Common Unit constituting Capital Surplus and any distributions of cash (or the net agreed value of any distributions in kind) in connection with the dissolution and liquidation of the Company theretofore made in respect of such Unit, adjusted as the General partner determines to be appropriate to give effect to any distribution, subdivision or combination of such Units.

PRO FORMA AVAILABLE CASH FROM OPERATING SURPLUS

The following table shows the calculation of pro forma Available Cash from Operating Surplus and should be read only in conjunction with "Cash Available for Distribution," the Company's Combined Financial Statements and the Company's unaudited pro forma consolidated financial statements.

	YEAR ENDED DECEMBER 31, 1997
	(IN THOUSANDS)
Pro forma net income	$ 92,924
Add (deduct):	
Payments under Retained Leases made by EPCO on behalf of the Company(1)	13,307
Depreciation and amortization(2)	17,684
Deferred expenses charged to operations(3)	1,371
Principal payments received on participation interests in bank indebtedness of unconsolidated affiliates(4)	14,737
Cash distributions from unconsolidated affiliates(5)	7,279
Loss on sale of assets	155
Equity in income of unconsolidated affiliates	(15,682)
Maintenance capital expenditures(6)	(3,614)
Pro forma Available Cash from Operating Surplus	$128,161

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(1) Represents payments made by EPCO under the Retained Leases on behalf of the Company. As a result of EPCO's retention of these lease obligations, the Company will not make cash payments in connection with these leases. However, since EPCO is affiliated with the Company the full amount of such lease payments made by EPCO on the Company's behalf will be recorded as an expense on the Company's financial statements. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--General."

(2) Reflects historical depreciation and amortization expense for the year ended December 31, 1997.

(3) Reflects the amortization expense recorded in 1997 for a prepaid royalty.

(4) Reflects actual principal payments during 1997 on the Company's proportionate share of the bank indebtedness of BEF and Mont Belvieu Associates.

(5) Represents cash distributions to the Company from Mont Belvieu Associates in 1997.

(6) Represents the Company's actual level of maintenance capital expenditures in 1997. The Company estimates that its maintenance capital expenditures will average approximately $5.0 million over each of the next three years. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE SECURITIES TO WHICH IT RELATES OR AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY SUCH SECURITIES UNDER ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION WOULD BE UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF, OR THAT INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

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UNTIL , 1998 (25 DAYS AFTER THE DATE OF THIS PROSPECTUS), ALL DEALERS EFFECTING TRANSACTIONS IN THE COMMON UNITS, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

[LOGO OF ENTERPRISE APPEARS HERE]

ENTERPRISE PRODUCTS
PARTNERS L.P.

17,200,000 COMMON UNITS
REPRESENTING LIMITED
PARTNER INTERESTS

PROSPECTUS

, 1998

LEHMAN BROTHERS

A.G. EDWARDS & SONS, INC.

MERRILL LYNCH & CO.

PAINEWEBBER INCORPORATED

PRUDENTIAL SECURITIES INCORPORATED

SALOMON SMITH BARNEY

DAIN RAUSCHER WESSELS

A DIVISION OF DAIN RAUSCHER INCORPORATED

RAYMOND JAMES & ASSOCIATES, INC.

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

Set forth below are the expenses (other than underwriting discounts and commissions) expected to be incurred in connection with the issuance and distribution of the securities registered hereby. With the exception of the Securities and Exchange Commission registration fee, the NASD filing fee and the NYSE filing fee, the amounts set forth below are estimates:

Item	Amount
Securities and Exchange Commission registration fee	$140,043
NASD filing fee	30,500
NYSE listing fee	*
Legal fees and expenses	*
Accounting fees and expenses	*
Printing expenses	*
Transfer Agent fees	*
Miscellaneous	*
TOTAL	$ *

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* To be provided by amendment.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The section of the Prospectus entitled "The Partnership Agreement--Indemnification" is incorporated herein by this reference. Reference is made to Section [7] of the Underwriting Agreement filed as Exhibit 1.1 to this Registration Statement. Subject to any terms, conditions or restrictions set forth in the Partnership Agreement, Section 17-108 of the Delaware Revised Limited Partnership Act empowers a Delaware limited partnership to indemnify and hold harmless any partner or other person from and against all claims and demands whatsoever.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

There has been no sale of securities of the Company within the past three years.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits:

*1.1	-- Form of Underwriting Agreement
*3.1	-- Form of Amended and Restated Agreement of Limited Partnership of Enterprise Products Partners L.P. (included as Appendix A to the Prospectus)
*3.2	-- Form of Amended and Restated Agreement of Limited Partnership of Enterprise Products GP, LLC
*5.1	-- Opinion of Vinson & Elkins L.L.P. as to the legality of the securities being registered.
*8.1	-- Opinion of Vinson & Elkins L.L.P. relating to tax matters.
*10.1	-- Form of Bank Credit Agreement.
*10.2	-- Form of Agreement between Enterprise Products Partners L.P., Enterprise Products GP, LLC and Enterprise Products Company.
*10.3	-- Form of Agreement among Enterprise Products Partners L.P. and certain other parties.
10.4	-- Venture Participation Agreement between Sun Company, Inc. (R&M), Liquid Energy Corporation and Enterprise Products Company dated May 1, 1992.
10.5	-- Partnership Agreement between Sun BEF, Inc., Liquid Energy Fuels Corporation and Enterprise Products Company dated May 1, 1992.

10.6	-- Amended and Restated MTBE Off-Take Agreement between Belvieu Environmental Fuels and Sun Company, Inc. (R&M) dated August 16, 1995.
10.7	-- Articles of Partnership of Mont Belvieu Associates dated July 17, 1985.
10.8	-- First Amendment to Articles of Partnership of Mont Belvieu Associates dated July 15, 1996.
10.9	-- Propylene Facility and Pipeline Agreement between Enterprise Petrochemical Company and Hercules Incorporated dated December 13, 1978.
*10.10	-- Form of Contract Carrier Agreement between Enterprise Products Company and Enterprise Products Operating L.P.
*21.1	-- List of subsidiaries of the Company.
23.1	-- Consent of Deloitte & Touche, LLP
23.2	-- Consent of Vinson & Elkins L.L.P. (contained in Exhibit 5.1 hereto)
24.1	-- Power of Attorney (included on the signature page to this Registration Statement)
27.1	-- Financial Data Schedule.

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* To be filed by amendment.

(b) Financial Statement Schedules

All financial statement schedules are omitted because the information is not required, is not material or is otherwise included in the financial statements or related notes thereto.

ITEM 17. UNDERTAKINGS

The undersigned Registrant hereby undertakes to provide at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For purposes of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on the 13th day of May, 1998.

ENTERPRISE PRODUCTS PARTNERS L.P.

By: Enterprise Products GP, LLC, its general partner

/s/ O. S. Andras
By ____________________________________
Name: O. S. Andras
Title: President and Chief Executive Officer
of Enterprise Products GP, LLC

POWER OF ATTORNEY

Each person whose signature appears below appoints Gary L. Miller and Michael R. Johnson, and each of them, any of whom may act without the joinder of the other, as his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement and any Registration Statement (including any amendment thereto) for this Offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto, and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or would do in person, hereby ratifying and confirming all that said attorneys-in fact and agents or any of them or their or his substitute and substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated below.

SIGNATURE	TITLE (of Enterprise Products GP, LLC)	DATE
/s/ Dan L. Duncan Dan L. Duncan	Chairman of the Board and Director	May 13, 1998
/s/ O. S. Andras O. S. Andras	President, Chief Executive Officer and Director	May 13, 1998
/s/ Randa L. Duncan Randa L. Duncan	Group Executive Vice President and Director	May 13, 1998
/s/ Gary L. Miller Gary L. Miller	Executive Vice President, Chief Financial Officer, Treasurer and Director (Principal Financial and Accounting Officer)	May 13, 1998
/s/Dr. Ralph S. Cunningham Dr. Ralph S. Cunningham	Director	May 13, 1998
/s/ Lee W. Marshall, Sr. Lee W. Marshall, Sr.	Director	May 13, 1998

EXHIBIT 10.4

VENTURE PARTICIPATION AGREEMENT

between

SUN COMPANY, INC. (R&M)

LIQUID ENERGY CORPORATION

and

ENTERPRISE PRODUCTS COMPANY

Dated May 1, 1992

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VENTURE PARTICIPATION AGREEMENT

THIS AGREEMENT dated as of May 1, 1992, is among Sun Company, Inc. (R&M), a Pennsylvania corporation ("Sun"), Liquid Energy Corporation. a Delaware corporation ("LEC"), and Enterprise Products Company, a Texas corporation ("Enterprise"). Each of Sun, LEC and Enterprise are sometimes referred to individually as a "Party" and collectively as the "Parties".

WITNESSETH:

WHEREAS, Sun. among other things, is engaged in the refining and marketing of motor gasoline and, in connection therewith, requires quantities of methyl tertiary butyl ether ("MTBE") for use as an oxygenate and octane enhancer for blending with such gasoline; and

WHEREAS, the Parties each have quantities of isobutane available to supply the necessary feedstock for the operation of an isobutane dehydrogenation and MTBE production facility (hereinafter referred to as "Facility"); and

WHEREAS, the Parties desire to participate in the ownership, construction and operation of such a Facility, from which Sun would obtain all of the quantities of MTBE produced; and

WHEREAS, the Parties desire to form a joint venture in the form of a partnership among themselves or their respective Subsidiaries, the purpose of which is to jointly engage in the ownership or leasing, construction and operation of a profitable Facility to produce MTBE for supply to Sun using isobutane feedstocks supplied by each of the Parties, all on the terms and conditions referenced herein;

NOW THEREFORE, in consideration of the foregoing and the mutual and dependent agreements hereinafter set forth, the Parties hereby agree as follows:

1. Definitions. The following definitions shall apply in the interpretation of this agreement unless otherwise provided:

1.1 "Affiliate(s)" means, as to the Party specified, an entity that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under control with, such Party.

1.2 "Agreement" means this Venture Participation Agreement and the exhibits attached hereto.

1.3 "Construction Agreements" means, collectively the agreements pertaining to the engineering and construction of the Facility, the content of which shall be approved in advance by all of the Partners and entered into between the Partnership and such engineers and contractors as are selected by agreement of all the Partners.

1.4 "Controlling Shareholder" shall mean a natural person who directly owns and/or controls more than fifty (50%) per cent of the voting stock of a Party.

1.5 "Enterprise Partner" means Enterprise or any assignee or successor thereof permitted by the Partnership Agreement.

1.6 "Extended Services Agreement" means the agreement between the Partnership and Enterprise for the provision of certain utilities and other services for the benefit of the Facility, to be executed pursuant to Section 2.3 hereof, as the same may be amended from time to time as set forth therein.

1.7 "Facility" means the isobutane dehydrogenation and MTBE production facility, having a minimum annual design production capacity of 193,450,000 gallons of MTBE, which the Partnership shall cause to be engineered and constructed at the Site.

1.8 "Financing" means the financing obtained for the benefit of the Partnership prior to Start-Up (including loans for working capital for the Partnership, construction loans, financing in the form of a lease or sale/leaseback) and any subsequent refinancing of such obligations.

1.9 "Isobutane" means isobutane meeting the minimum specifications set forth in the Isobutane Supply Agreements, as the same may be amended from time to time as set forth therein.

1.10 "Isobutane Supply Agreements" means, collectively, the isobutane supply agreement between each of the Parties and the Partnership, to be executed pursuant to Section 21.3 hereof, as the same may be amended from time to time as set forth therein.

1.11 "LEC Partner" means Liquid Energy Fuels Corporation, a Delaware corporation which is a Subsidiary of LEC, or any assignee or successor thereof PERMITTED by the Partnership Agreement.

1.12 "License Agreements" means, collectively, the written agreements between the Partnership and the entities selected by agreement of all the Partners whereby such entities shall supply and license to the Partnership, on terms acceptable to the Partners, the isobutane dehydrogenation nation, MTBE and other mutually acceptable technologies necessary to operate the Facility.

1.13 "Management Committee" means the Partnership's management committee, as further described in this Agreement and in the Partnership Agreement.

1.14 "Mechanical Completion" means that date, determined pursuant to the Construction Agreements, when the Facility is mechanically and structurally complete such that commissioning of the Facility may be commenced in a safe and orderly manner.

1.15 "MTBE" means methyl tertiary butyl ether product meeting the specifications set forth in the MTBE Off-Take Agreement, as the same may be amended from time to time as set forth therein.

1.16 "MTBE Off-Take Agreement" means the agreement between Sun. or its Affiliate, and the Partnership for the purchase and sale of MTBE to be executed pursuant to Section 2.3 hereof, as the same may be amended from time to time as set forth therein.

1.17 "Operator" means the Operator designated in the Plant Operating Agreement.

1.18 "Partners" means, collectively, Sun Partner, Enterprise Partner and LEC Partner.

1.19 "Partnership" means the general partnership between the Partners are pursuant to Article 2 of the Partnership Agreement.

1.20 "Partnership Agreement" means the agreement among the Partners creating the Partnership and executed pursuant to Section 2.3 hereof.

1.21 "Partnership Interest" means the respective ownership interest of each of the Partners in the Partnership, as specified in Section 2.1 hereof or as hereafter adjusted, from time to time, in accordance with the Partnership Agreement.

1.22 "Plant Operating Agreement" means the agreement between Enterprise and the Partnership with respect to operation of the Facility and executed pursuant to Section 2.3 hereof, as the same may be amended from time to time as set forth therein, or any successor agreement thereto.

1.23 "Project Services Agreement" means the agreement between Enterprise and the Partnership, to be executed pursuant to Section 2.3 hereof, as the same may be amended from time to time as set forth therein.

1.24 "Site" means that certain real property located in Mont Belvieu. Texas and owned by Enterprise, as more particularly described in Exhibit "A" attached hereto.

1.25 "Start-Up" means the last day of the calendar month in which Facility production, over a consecutive thirty (30) day period, first equals or exceeds an average of 424,000 gallons of MTBE per day. In no event, however, shall Start-Up be later than the first day of the month following the date that is four (4) months after Mechanical Completion.

1.26 "Subsidiary" means, as to the Party specified, an entity that directly or indirectly through one or more intermediaries, is wholly owned by such Party.

1.27 "Sun Partner" means Sun BEF, Inc. a Texas corporation which is a Subsidiary of Sun, or any assignee or successor thereof permitted by the Partnership Agreement.

2. Establishment and Maintenance of the Partnership.

2.1 The Parties desire to establish and maintain the Partnership to own and operate the Facility in accordance with the terms of this Agreement and the Partnership Agreement. Subject to adjustment only as permitted in the Partnership Agreement, the Partnership Interest of each of the Partners shall be as follows: Sun Partner - 33 1/3%, LEC Partner - 33 1/3%, and Enterprise Partner - 33 1/3%.

2.2 As used throughout this Agreement and the Partnership Agreement, any reference to any obligation of the Partners or of the Partnership, as the case may be, shall, except as provided below or unless otherwise expressly agreed in writing by all the Parties, he deemed to incorporate a corresponding obligation of each Party to cause its respective Partner to perform such obligation or to cause the Partnership to perform such obligation, as the case may be. The Parties shall not be obligated hereunder to cause their respective Partners, or to cause the Partnership, to repay any Partnership debt obtained in accordance with Section 5.4(b) of this Agreement if (i) Parties whose respective Partners control at least

66 2/3% of the aggregate Partnership Interests expressly so agree in writing and (ii) such Partnership debt shall be without recourse to or guaranteed by the Parties which have so agreed.

2.3 (a) Simultaneously with the execution and delivery of this Agreement (i) the Partners shall execute and deliver the Partnership Agreement; (ii) the Partnership shall execute and deliver the Isobutane Supply Agreements, which also shall be executed by Sun, LEC and Enterprise, respectively; and (iii) the Partnership also shall execute and deliver the MTBE Off-Take Agreement, which also shall be executed by Sun.

(b) At such time or times following execution of this Agreement as the Management Committee deems appropriate, the Partnership also shall execute and deliver (i) the Plant Operating Agreement, which also shall be executed by Enterprise as initial plant operator, (ii) the Extended Services Agreement, which also shall be executed by Enterprise; and (iii) the Project Services Agreement, which also shall be executed by Enterprise.

(c) At such time or times as is or are appropriate, the Partners also shall execute and deliver such certificates, consents and other documents as may be necessary or appropriate to enable the Partnership to conduct the business contemplated by the Partnership Agreement, to qualify the Partnership as a general partnership in good standing under the laws of the State of Texas, and to qualify it to do business in the State of TEXAS and any other appropriate location for the purpose of conducting such business.

2.4 Unless otherwise expressly agreed in writing by all the Parties, each Party agrees to either be the Partner or maintain its respective Partner as its Subsidiary to not permit the liquidation or dissolution of such Partner, and to maintain or cause such Partner to maintain its Partnership Interest from the date of the formation of the Partnership until such time as the Partnership is terminated or such Partnership Interest is transferred in accordance with the provisions of the Partnership Agreement. Each Party shall cause all

stock, if any, of its respective Partner which is a Subsidiary to be represented by certificates bearing the following legend conspicuously evidencing this restriction on transfer:

"RESTRICTIONS ON TRANSFER

> The share(s) of stock represented by this certificate are subject to restrictions on transfer imposed by that certain Venture Participation among Enterprise Products Company, Sun Company, Inc. (R&M) and Liquid Energy Corporation, dated May 1, 1992. This stock shall not be sold, assigned, pledged, donated, exchanged, disposed of, or otherwise transferred or encumbered, directly or indirectly, except as permitted by such Agreement."

Notwithstanding the foregoing, a Party or its respective Partner shall be permitted to pledge ail or any portion of the stock of such Partner which is a Subsidiary if, and only to the extent that, such pledge is necessary to secure financing for the benefit of the Partnership and the prior written consent to the making of such pledge has been obtained from each of the remaining Parties.

3. Acquisition of the Site.

At such time as they deem appropriate following execution of the Partnership Agreement, the Partnership shall either (a) purchase from Enterprise, in which case Enterprise shall sell to the Partnership, the Site for a per acre price equal to the per acre price paid by Enterprise for the such parcel or (b) select an alternative site for acquisition by the Partnership, in which event, Section 1.24 and Exhibit "A" attached hereto shall be amended accordingly. In the event the Partnership determines it no longer has a need for the Site, it shall notify Enterprise in writing that it desires to abandon the Site for Partnership purposes and Enterprise shall have sixty (60) days in which to respond in writing that it desires to reacquire the Site for the same price per acre paid by the Partnership to acquire such Site. If Enterprise does desire to reacquire the Site, the Partnership shall convey title to Enterprise as soon as the closing can be accomplished.

4. Certain Basic Commitments.

4.1 For as long as the Partners shall maintain their respective Partnership Interests, each Partner shall make available the member or members of the Management Committee that it is entitled to appoint pursuant to the Partnership Agreement at no cost to the Partnership. The Partnership's business and operations shall be managed by the Management Committee as provided in the Partnership Agreement. Members of the Management Committee shall not be employees of the Partnership.

4.2 Operating personnel shall be provided by Operator pursuant to, and compensated in accordance with, the Plant Operating Agreement. Unless otherwise agreed by the Parties, accounting, legal, tax, invoicing and other administrative support activities required by the Partnership from time to time shall be performed pursuant to the Plant Operating Agreement and/or the Project Services Agreement.

4.3 This Agreement establishes no special or cooperative relationship among the Parties except as to the business of the Partnership. This Agreement shall be implemented and the Partnership conducted in a manner assuring that the joint endeavor shall be strictly confined to such business. In particular, the Parties and their respective Affiliates shall not exchange non-public information or data except to the extent necessary to accomplish, and solely in connection with the conduct of, such business and the related commitments contained in this Agreement. Also, each Party reserves and is hereby granted the right to make and enter into contracts with third parties for the sale or purchase of isobutane, the sale or purchase of MTBE, the sale or purchase of any other goods and services and the operation of other facilities, to the extent the same are not required for meeting any obligations contemplated by this Agreement.

5. Operation of the Partnership.

5.1 The Partnership shall be organized. managed and terminated as set forth in the Partnership Agreement and all Partnership decisions and commitments shall be made as provided therein.

5.3 Except as specifically provided herein or in any of the agreements contemplated herein. or unless otherwise expressly agreed by all the Partners, the Partners shall share all profits and losses of the Partnership in proportion to their respective Partnership Interests, as further provided in the Partnership Agreement.

5.3 Except as specifically provided herein or in any of the agreements contemplated herein, or unless otherwise expressly agreed by all the Partners. the Parties and their Affiliates shall receive no payments for services or property donated or otherwise made available to the Partnership.

5.4 (a) In accordance with the Partnership Agreement, the Partnership may from time to time make capital calls on the Partners. Unless otherwise agreed to by all the Parties or unless excused in accordance with the last sentence of Section 2.2, each Party agrees to make or cause to be made, contributions in amounts equal to its respective Partner's share of any such capital call required in accordance with the Partnership Agreement.

(b) In accordance with the Partnership Agreement, the Partnership may from time to time incur debt or other obligations in the name of the Partnership. In the event that all the Parties agree, such debt or obligation may be secured by guarantees of the Parties or any of their respective Affiliates. Any such guarantee shall be on the basis of each Party's respective Partner's Partnership Interest and on a several but not joint basis unless some other basis is agreed to in writing by the Parties. In addition, any such guarantees shall contain a provision stipulating that, in the event any Partner(s) purchases another Partner's Partnership Interest, as permitted by Section 8.2 of this Agreement, the

guaranteeing entities of such purchasing Partner(s) shall assume any guarantee obligations of the departing Partner's guarantor thereunder, whereupon such guarantor shall be deemed to be released from such obligations. The Parties and the Partners shall use their best efforts to assure that any loan agreement and any other documents governing such guaranteed financing (i) shall not include as an event of default the bankruptcy or insolvency of any guarantor or any event relating thereto; (ii) shall in the case of an event of default or failure to perform by any guarantor permit each solvent guarantor to repay its portion of the guaranteed financing in accordance with the originally scheduled maturities and other terms without regard to any acceleration of any portion of such guaranteed financing, or any other modification of terms (e.g., higher interest rate), due to bankruptcy, insolvency or any related event concerning any other guarantor(s); and (iii) shall not permit the lenders to ; foreclose on the Facility.

5.5 All intellectual property including, without limitation, inventions, know-how, trademarks, trade names and works of authorship, made or discovered by the Partnership shall remain the property of the Partnership. Each Party warrants that any inventor or creator of said intellectual property who is an employee, agent or otherwise under the control of said Party or an Affiliate thereof is under an obligation to assign said intellectual property to said Party or Affiliate. Upon said invention or creation, each Party, agrees to cause said inventor to assign his rights to the Partnership and to take those steps necessary ,to perfect the Partnership's rights in said intellectual property, including the application for and prosecution of patent applications which may be filed on any inventions arising hereunder, the cost of such steps to be for the account of the Partnership. If said rights are vested in the Party or an Affiliate thereof, said Party or Affiliate agrees to assign said rights to the Partnership. The Partnership agrees to take all steps necessary to maintain said intellectual property rights, including the payment of appropriate patent application and maintenance fees, unless such rights are released by the Management Committee. In the event the Partnership decides not to maintain said intellectual property rights, the Partnership shall assign said rights to the individual Parties, jointly and severally. However, use of such intellectual property by any Party or Affiliate thereof for purposes other than Partnership business (e.g., to support other business of such party) shall be permitted at any

time after the Parties have, by unanimous agreement, committed to cause the Facility to be constructed as contemplated herein.

5.6 The Partnership shall conduct its business consistent with procedures and safeguards adopted by it to effectively isolate and insulate all market sensitive information pertaining to the business and operations of the Partnership so that such information is not available to persons not needing it for managing or conducting the business affairs of the Partnership; provided that such information shall be made available, under appropriate safeguards, as required by any federal, state or local law, rule or regulation, by order of any court or regulatory agency, or as otherwise agreed by the Partners. The Parties and the Partners shall severally take appropriate measures pertaining to activities of their respective personnel designed to secure to the Partnership appropriate confidentiality for all such market sensitive information pertaining to prices and production and all policies, strategies, plans, data and other information pertaining to either prices or production.

6. Indemnities.

6.1 Each Party to this Agreement shall indemnify, hold harmless and defend the Partnership, the other Parties and their Affiliates, as the case may be, from and against all Suits, claims, demands, losses, damages and expenses arising from or incident to any infringement or claimed infringement of any patent or other rights for which such Party is responsible. A Party shall be deemed responsible for such infringement if such infringement results from the use, in connection with the manufacturing, selling or distributing activities contemplated by this Agreement, of patented inventions, know-how or other intellectual property furnished by such Party (or its Affiliates) to the Partnership, to another Party or another Party's Affiliates. The Partnership shall be deemed responsible for such infringement if such infringement results from the use, in connection with the operating, selling or distributing activities contemplated by this Agreement, of patented inventions, know-how or other intellectual property obtained by the Partnership or owned by the Partnership pursuant to Section 5.5 of this Agreement.

6.2 Each Party shall be required to indemnify, hold harmless and defend the other Parties and their Affiliates, as the case may be, with respect to any claims, liabilities, damages and losses resulting from its own gross negligence or will1ful misconduct, except as otherwise expressly provided in any agreement between such Party and the Partnership. Additionally, each Party shall indemnify, hold harmless and defend the other Parties and their Affiliates, as the case may be, with respect to any liabilities for debt which are, by agreement of such Party to be borne severally by such Party and not jointly by all the Parties or the Partnership. Except for the aforementioned situations where a Party is required to indemnify, hold harmless and defend the others, unless otherwise unanimously agreed by the Parties, each Party shall indemnify, hold harmless and defend the others and their Affiliates, as the case may be. proportion to its Partner's Partnership Interest, from and against any and all claims, liabilities, damages and losses, including attorney's fees, imposed upon such other Parties and Affiliates and in any way arising out of or relating to the Partnership, including but not limited to those arising from any breach of contract by the Partnership, or any transactions contemplated by this Agreement or under-taken by the Partnership.

7. Confidentiality. Restricted Disclosure and Limited Use Commitments.

7.1 Each Party shall, and shall assure that their respective Affiliates shall, (i) treat as confidential all Confidential Information (as hereinafter defined) which such Party or its Affiliates obtain directly or indirectly in connection with this Agreement or the Partnership, and (ii) not disclose the same to others nor use the same, except as provided herein, from the date of this Agreement until ten (10) years following termination of this Agreement. The obligation of this Section 7.1 shall apply, without limitation, to all information learned by any Party in the course of negotiating or implementing this Agreement concerning the business, assets, customers, processes or methods of another Party or its Affiliates.

As used herein. "Confidential Information" means any information of any Party or the Partnership that might reasonably be considered secret, sensitive or private, including but not limited to the following:

(a) Data, know-how, formulae, processes, designs, plans, specifications, reports, financial information, studies, findings, inventions and ideas, or other information relating to the Partnership, or methods or techniques used by the Partnership, whether or not contained in samples, documents, sketches, photographs, drawings, lists, and the like;

(b) Data and other information employed or acquired in connection with the sales to, or marketing of the products of, any Party, including cost information business policies and procedures, revenues and markets, distributors and customers, and similar items of information whether or not contained in documents or other tangible materials; and

(c) Any other information of a Party obtained by the other Parties to this Agreement during the term hereof, that is not generally known to, and not readily ascertainable by proper means by, third parties who could obtain economic value from its use or disclosure.

To the extent practicable, documents and other tangible materials containing Confidential Information shall be marked "Proprietary" or "Confidential". Each Party shall take all appropriate steps to prevent unauthorized disclosure of any Confidential Information by its Affiliates and employees, which steps include the execution by all such persons of written agreements containing obligations of confidentiality, restricted disclosure and limited use relative thereto consistent with this Article 7. The Parties shall not permit access to Confidential Information by their Affiliates and employees, except on a need-to-know basis. The Partnership shall likewise comply with this Article 7.

7.2 (a) The obligations of Section 7.1 shall not apply to Confidential Information after (i) it has become generally available to the public through no fault of the receiving Party or any of its Affiliates, (ii) it was in the receiving Party's or Affiliate's possession before disclosure hereunder and did not come directly or indirectly from another Party or its Affiliates, or (iii) it becomes known to the receiving Party or Affiliate through lawful disclosure from a source that is not another Party or an Affiliate of another Party, and that at the time is under no obligation not to disclose it to the receiving Party or its Affiliate.

(b) Confidential Information may be disclosed by a recipient Party to one or more of its Affiliates to the extent necessary or appropriate to carry out such Party's responsibilities of this Agreement, provided that if the Confidential Information relates to businesses or activities of a nother Party or Affiliates, other than the business of the Partnership, it shall not be disclosed to any of the recipient Party's Affiliates unless the Confidential Information is directly related to the business of the Partnership and the proposed disclose has a need to know such Confidential Information to conduct such business successfully.

(c) Confidential Information may be disclosed (i) in accordance with the License Agreements; (ii) to contractors and consultants only if directly related to the business of the Partnership and only to the extent necessary to facilitate the construction, extension, modification, operation or repair of the Facility and equipment of the Partnership; and (iii) to lenders, auditors and rating agencies only if directly related to the financial affairs of the Partnership and only to the extent the proposed disclosee has a need to know such Confidential Information to facilitate the financial affairs of the Partnership or to perform an audit of the Party or its Affiliate; provided that the proposed disclosee first signs an agreement with obligations at least consistent with the other provisions of this Article 7. In the event the proposed disclosee refuses to sign such an agreement, no such disclosure shall be made, except as specifically approved by the Management Committee.

(d) Such obligations shall not be deemed to obligate any Party to do or refrain from doing any act, the doing or not doing of which would cause or reasonably be expected to cause such Party to fail to fulfill or comply with any obligation or requirement imposed by any applicable law, governmental regulation or stock exchange rule, provided, that. any disclosures of Confidential Information made to fulfill or comply with any such law, regulation or rule shall be made (i) only after notice, whenever practicable, to the other Parties, and (ii) under conditions invoking all confidentiality protections as are available by law, regulation or rule.

7.3 Except as specifically provided in this Agreement, no right or license granted to use any Confidential Information disclosed to or otherwise obtained by any person or entity in the course of the negotiation or implementation of this Agreement or otherwise in connection therewith.

7.4 Each Party shall be responsible for assuring full compliance, by itself, its affiliates, and all employees and other personnel of itself and its Affiliates, with the obligations of Section 7.1 of this Agreement. Each Party shall take all necessary measures to assure such compliance.

7.5 Each Party shall permit the others to review in advance and approve the form of any written descriptions or written announcements including press releases concerning this Agreement or the Partnership.

8. Assignment.

8.1 The Parties acknowledge that each Party, its Controlling Shareholder, if any and its respective Partner were selected to participate in this venture due to certain contributions and strengths of such party that the remaining Parties view as essential to the success of the venture, such that any transfer, conveyance, pledge or other encumbrance thereinafter "Transfer") by a Party or its Controlling Shareholder of the interest herein of such Party or such Controlling Shareholder to a third party may substantially diminish the value of the remaining Parties' interests. For that reason, and due to the confidential nature of much of the information to be exchanged and generated at the Partnership level, the Parties wish to limit the right of a Party or a Controlling Shareholder to Transfer its or his interest in this Agreement, all as set forth below in this Article 8.

8.2 No Party may Transfer this Agreement, or any rights or obligations hereof, whether voluntarily or by operation of law, without the prior written consent (and on such terms and conditions as may be contained therein) of the remaining Parties, which consent will not be unreasonably withheld; provided that a Party may Transfer this Agreement

without the prior written consent of the remaining Parties if (a) the Transfer is to any of its affiliates or it occurs by reason of the merger, consolidation, or transfer of stock or partnership interest of such Party with or to an Affiliate, (b) the Transferee Party's Partner's either the Transferee itself or a Subsidiary of such Transferee and (c) if such Transfer takes place during the Deferred Period defined below, the Controlling Shareholder remains in control of the Transferee. Any Transferee permitted by this Section 8.2 shall be required to execute and deliver to the remaining Parties a written agreement whereby it assumes all rights and responsibilities of the Transferor under this Agreement. Any Transfer in violation of the foregoing shall be void.

8.3 Furthermore, prior to final repayment of the Financing, or five (5) years from the date of Start-Up, whichever occurs later (hereinafter the "Deferred Period"), a Controlling Shareholder (if any) may not Transfer this Agreement, or any rights or obligations hereof, whether voluntarily or by operation of law, without the prior written consent (and on such terms and conditions as may be contained therein) of the remaining Parties, which consent will not be unreasonably withheld. After the Deferred Period, any such Transfer may be made by a Controlling Shareholder without the consent of the remaining Parties.

9. Term and Termination.

9.1 Term. This Agreement shall continue in full force and effect from the date hereof until such time as only one Party's Partner (including permitted successors, assigns or transferees of any original Party to this Agreement) holds any Partnership Interest, until the Partnership is dissolved and the winding up of its affairs is completed in accordance with Article 12 of the Partnership Agreement, or until this Agreement is terminated pursuant to Section 9.2 below. Unless otherwise provided therein, expiration or termination of this Venture Participation Agreement shall not cause the termination of any of the agreements executed pursuant hereto.

9.2 Termination. (a) This Agreement shall terminate as to all of the Parties upon occurrence of any of the following:

(i) the mutual written agreement to terminate by all of the Parties;

(ii) at the option of a non-breaching Party, in the event that any other Party or any of its Affiliates breaches a material term or condition of this Agreement or of the Partnership Agreement and fails to cure, or to initiate action necessary to cure with reasonable diligence, the same within fifteen (15) days of written notice thereof from such non-breaching Party; or

(iii) at the option of the other Parties upon the making of an assignment by a Party for the benefit of its creditors, or the appointment of a receiver or trustee for all or a part of a Partys property, or the filing of a petition by or against a Party for its reorganization or for an arrangement under any bankruptcy law or other law, provided that said Party shall have sixty (60) days in which to discharge such proceedings if the same are involuntarily brought.

(b) This Agreement shall terminate as to any Party whose Partner ceases to own any Partnership Interest as the result of the purchase of such Partnership Interest pursuant to Section 10.2 or 11.2(a) (ii) of the Partnership Agreement.

10. Alternative Dispute Resolution.

10.1 Commitment To Alternate Dispute Resolution. The Parties intend to and do hereby establish an Alternative Dispute Resolution ("ADR") procedure to be followed by the Parties hereto in the event any controversy should arise out of or relate to this Agreement or the performance hereof.

10.2 Step One: Correspondence, Followed By Meeting. (a) Any Party hereto may initiate ADR proceedings by sending a written notice (in the manner provided in Section

12.2 below) to the other Party(s) setting forth the particulars of the dispute, the term(s) of the Agreement that are involved, and a suggested resolution of the problem. The sending of such a notice will toll the running of any applicable statute of limitation.

(b) The recipient(s) of the notice must respond by appropriate written notice thin 20 days with its (their) response(s) to the proposed solution. The failure of the recipients(s) to send such response notice shall not impair their rights or remedies subsequent in the ADR process or thereafter.

(c) If correspondence does not resolve the dispute, then the Parties hereto shall meet within 15 days of the receipt of the response at a mutually acceptable place and attempt to resolve the matter.

(d) If this meeting is not productive of a resolution, then senior executive officers of each of the Parties are authorized to and shall meet within 30 days of the first meeting of the Parties and personally confer in a bona fide attempt to resolve the matter. Should this step not produce resolution, then the Parties agree to mediation as provided in Article 10.3, hereinbelow.

10.3 Step Two: Non-Binding Mediation. (a) In the event that the controversy is not resolved by informal negotiation within 30 days (or any mutually agreed extension of time) of the first meeting between the executives, the case may be referred by any Party hereto to any mutually acceptable arbitration and mediation service ("mediation service") for an informal, non-binding conference or conferences between the Parties in which a neutral mediator will seek to guide the Parties to a resolution of the case.

(b) If the Parties to the controversy can agree that the controversy involves primarily a given area or field of expertise (for example, an accounting issue or a dispute involving petrochemical engineering), then such Parties shall instruct the mediation service to provide a list and the resumes of professionals in that area or field of expertise who would be willing to serve as a mediator. If the Parties are not able to so agree, then the

mediator shall be a retired judge or justice at the mediation service. In either case, the Parties are free to select any mutually acceptable panel member of the list so provided by the mediation service. If the Parties cannot agree or have no particular choice of mediator, then a list and resumes of available mediators numbering one more than there are Parties will be sent to the Parties, each of who may strike one name leaving the remaining name as the mediator. If more than one name remains, the designated mediator shall be selected by the mediation service from the remaining names.

(c) The steps provided hereinabove dealing with mandatory negotiation and mandatory mediation are deemed arbitration clauses for the purpose of enforcing compliance with their provisions, but not for the purposes of enforcing the mediator's decision or recommendation (which the Parties acknowledge is non-binding). Any Party to this Agreement may seek compliance with these contract provisions by petition to any court of general jurisdiction. The prevailing Party in any such motion shall be entitled to the court's order for payment of attorney fees and costs in connection with said motion.

(d) The mediation process is to be considered settlement negotiation for the purpose of all state and federal rules protecting disclosures made during such conferences from later being discovered or used in evidence. The entire mediation procedure is confidential, and no stenographic or other record shall be made save and except to reviews and memorialize a settlement record. All conduct, statements, promises, offers, views, opinion, oral or written, made in the course of the mediation by any Party or their agent, employee. or attorney are confidential and, where appropriate, are to be considered attorney work product and privileged. Such conduct, statements, promises, offers, views and opinions shall not be discoverable nor admissible for any purpose, including impeachment, in any adjudication of or other proceeding involving the Parties; provided, however, that evidence otherwise discoverable or admissible is not excluded from discovery or admission in evidence simply as a result of its being used in connection with this settlement process.

(e) In the event any Party has substantial need for information in possession of any other Party in order to prepare for the mediation conference(s), the Parties shall

attempt in good faith to agree upon procedures for the expeditious exchange of such information, with the help) of the mediator if required.

(f) No later than one week prior to the first scheduled mediation session, each Party shall deliver to the mediator and at the same time serve a copy on all other Parties a concise written summary of its position, including a proposed solution to the matter(s) in controversy, and all necessary documents.

(g) The mediator at some point in the mediation process will, if requested by any of the Parties, give an opinion on the probable outcome of the case and the ranges of values both in terms of settlement and trial if the matter were to be adjudicated. The mediator will, in the absence of an instr-uction from the Parties to the contrary, give recommendations on terms of possible settlement conditions to be imposed upon the Parties (if appropriate). The mediator's opinion shall be based on the material and information then available to all Parties. The opinions and recommendations of the mediator are not binding on the Parties.

(h) The fees and costs of the mediation shall be in accordance with the then current fee schedule at the mediation service and will, in the absence of an agreement to the contrary, be borne equally by all Parties.

(i) The mediation process shall continue until the matter is resolved or the mediator makes a good faith finding that all reasonable settlement possibilities have been exhausted and there is no possibility of resolution through mediation.

(j) Any previously tolled statute of limitation will begin running again upon the mediator's finding that the mediation process is concluded. If the mediation process concludes without final resolution of all disputes, then the Parties shall, subject to Section 10.4 below, be free to pursue all rights and remedies at law or in equity which they may otherwise have available.

10.4 Step Three: Adjudication by Binding Arbitration After Failed Mediation. Should any disputes remain existent between the Parties after completion of the mediation process set forth above, then all remaining controversies or claims arising out of or relating to this Agreement or the performance thereof shall be settled by final and binding arbitration in accordance with the Rules of Practice and Procedure for the Arbitration of Commercial Disputes attached hereto as Exhibit "B" and made a part hereof.

11. Representations and Warranties.

11.1 Sun hereby represents and warrants to Enterprise and LEC as follows:

(a) Each of Sun and the Sun Partner is a corporation duly organized, validly existing and in good standing under the laws of the state of its respective incorporation and is duly qualified to do business wherever necessary to carry on its present operations.

(b) The execution, delivery and performance by each of Sun and the Sun Partner of this Agreement and the documents referenced herein to which each is or is to be a party have been authorized by all necessary corporate action, and do not and will not: (i) require any consent or approval of the stockholders of any such Party, (ii) violate any law, rule, regulation, order, or decree presently in effect and having applicability to any such party, or (iii) violate its charter or by-laws.

(c) This Agreement is the legal and binding obligation of Sun, enforceable in accordance with its terms against Sun; and any other document required by this Agreement to be delivered by Sun, or the Sun Partner hereunder, when duly executed and delivered by such parry will be the legal and binding obligation of such party, enforceable in accordance with its terms against such party.

11.2 Enterprise hereby represents and warrants to Sun and LEC as follows:

(a) Enterprise is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation and is duly qualified to do business wherever necessary to carry on its present operations.

(b) The execution, delivery and performance by Enterprise of this Agreement and the documents referenced herein to which it is or is to be a party have been authorized by ail necessary corporate action, and do not and will not: (i) require any consent or approval of its stockholders, (ii) violate any law, rule, regulation. order, or decree presently in effect and having applicability to it, or (iii) violate its charter or by-laws.

(c) This Agreement is the legal and binding obligation of Enterprise, enforceable in accordance with its terms against Enterprise; and any other document required by this Agreement to be delivered by Enterprise, whether as a Party or a Partner hereunder, when duly executed and delivered by Enterprise, will be the legal and binding obligation of Enterprise, enforceable in accordance with its terms against Enterprise.

11.3 LEC hereby represents and warrants to Sun and Enterprise as follows:

(a) Each of LEC and the LEC Partner is a corporation duly organized, validly existing and in good standing under the laws of the state of its respective incorporation and is duly qualified to do business wherever necessary to carry on its present operations.

(b) The execution, delivery and performance by each of LEC and the LEC Partner of this Agreement and the documents referenced herein to which each is or is to he a party have been authorized by all necessary corporate action, and do not and will not: (i) require any consent or approval of the stockholders of any such party, (ii) violate any law, rule, regulation, order, or decree presently in effect and having applicability to any such party, or (iii) violate its charter or by-laws.

(c) This Agreement is the legal and binding obligation of LEC, enforceable in accordance With its terms against LEC; and any other document, required by this Agreement to be delivered by LEC, or the LEC Partner hereunder. when duly executed and delivered by such party, will be the legal and binding obligation of such party, enforceable in accordance with its terms against such party.

12. Miscellaneous.

12.1 This Agreement, along with the agreements referenced herein, shall constitute the entire agreement among the Parties with respect to the subject matter hereof, and shall supersede all prior agreements or understandings, oral or written, among the Parties with respect thereto and no amendment or modification of any provision of this Agreement shall be effective unless in writing and signed by all Parties. In the event of any inconsistency between the provisions of this Venture Participation Agreement and any of the agreements referenced herein, the provisions of this Venture Participation Agreement shall control.

12.2 All notices, requests, demands, directions and other communications provided for herein shall be in writing and shall be deemed to have been properly given or made if (i) delivered in person, sent by overnight courier, facsimile or tested telex to the applicable Party or Parties at the address(es) for personal delivery indicated below, or (ii) mailed, postage prepaid, by certified or registered mail with return receipt requested, to the applicable Party or Parties at the address(es) for mail indicated below:

(a) Sun:

for personal delivery:
Sun Company, Inc. (R&M)
1801 Market Street
Philadelphia, PA 19103
Attn: John G. Harron
Telex: RCA 244941
Facsimile: (215) 246-8354

for mail:
Sun Company, Inc. (R&M)
1801 Market Street
Philadelphia. PA 19103
Attn: John G. Harron

With Copy to: Law Department
Facsimile: (215) 977-6878

(b) LEC:

for personal delivery:	for mail:
Liquid Energy Corporation	Liquid Energy Corporation
2001 Timberloch Place	P. 0. Box 4000
The Woodlands. TX 77380	The Woodlands. TX 77387
Attn: Sr. Vice President	Attn: Sr. Vice President
Telex: 775889 MEDCWDLS	
Facsimile: (713) 377-6195	

(c) Enterprise:

for personal delivery:	for mail:
Enterprise Products Company	Enterprise Products Company
2727 North Loop West	P. 0. Box 4324
Houston, TX 77210	Houston, TX 77210
Attn: President	Attn: President
Telex: 3734597	
Facsimile: (713) 880-6570	

Notice given as aforesaid shall be deemed to have been given upon receipt or refusal of receipt by the addressee. Any Party may change its respective address, telex or facsimile number by giving written notice of such change to the remaining Parties in accordance with the terms of this Section.

12.3 The failure of any Party to enforce any right or provision hereof shall not be considered a waiver by such Party of its right to enforce such right or provision in the future.

12.4 THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. IN IMPLEMENTING THIS AGREEMENT THE PARTIES SHALL COMPLY WITH ALL APPLICABLE LAWS, RULES AND REGULATIONS, AND NO PROVISION(S) OF THIS AGREEMENT SHALL BE CONSTRUED TO PROVIDE OTHERWISE.

12.5 Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or

unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

12.6 The following provisions shall survive any termination of this Agreement: Sections 5.5 and 5.6 and Articles 6, 7, 10 and 12.

12.7 Captions contained in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

12.8 Terms stated in the masculine gender shall be construed, as appropriate in context, as applying to the neuter gender, and vice versa, and terms stated in either such gender shall be construed, as appropriate in context, as applying to the feminine gender. Terms stated in the singular shall be construed, as appropriate in contex as the plural, and vice versa.

12.9 This Agreement may be executed in several separate counterparts each of which shall be an original and all of which taken together shall constitute one and the same agreement.

12.10 This Agreement shall be binding upon and inure to the benefit of the Parties and their permitted successors and assigns, but shall not otherwise inure to the benefit of any other third party.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized.

SUN COMPANY, INC. (R&M)
By: /s/ DAVID E. KNOLL

Name Printed: David E. Knoll

Title: President

ENTERPRISE PRODUCTS COMPANY
By: /s/ CHARLES J. ROTH

Name Printed: Charles J. Roth

Title: Executive Vice President

LIQUID ENERGY CORPORATION
By: /s/ MICHAEL C. HERRMANN

Name Printed:Michael C. Herrman

Title: Sr. Vice President

EXHIBIT "B"

RULES OF PRACTICE AND PROCEDURE
FOR THE ARBITRATION
OF COMMERCIAL DISPUTES

1. AGREEMENT OF PARTIES

The parties shall be deemed to have made these rules a part of their arbitration agreement whenever they have provided for arbitration of disputes. The parties, by written agreement, may vary the procedures set forth in these rules.

2. INITIATION OF ARBITRATION

Arbitration shall be initiated in the following manner:

(a) Unless barred by an applicable statute of limitations, any party bound by the arbitration agreement which has a claim, dispute or controversy ("Claimant") may initiate an arbitration by serving all other parties to the arbitration agreement ("Respondent(s)") with written notice ("Claimant's Notice") of the nature of the claim, dispute or controversy, a demand for arbitration and Claimant's selection of a nationally recognized arbitration service ("Arbitration Service") which utilizes former judges and/or justices as arbitrators. A claim shall be waived and forever barred if on the date Claimant's Notice is received by Respondent(s), the claim is found by the Arbitrator (selected as provided hereinbelow) to be barred by the applicable statute of limitation (after allowing for any agreed tolling of such statute of limitations).

(b) Respondent(s) shall, in a written response delivered to Claimant within ten (10) days of receipt by Respondent(s) of Claimant's Notice, either consent to Claimant's selection of the Arbitration Service or select an alternative Arbitration Service. If Respondent(s) fail or refuse timely to either consent or select an alternative, then Claimant's selection shall be utilized as the Arbitration Service hereunder. If Respondent(s) select an alternative Arbitration Service then Claimant and Respondent(s) shall immediately attempt to reach agreement on a mutually acceptable Arbitration Service. If such agreement is not reached within ten (10) days of Respondent(s)' selection of an alternative Arbitration Service then the American Arbitration Association shall be utilized as the Arbitration Service hereunder.

(c) Respondent(s) shall file an answering statement, including counterclaim, if any, with Claimant within thirty (30) days of receipt of Claimant's Notice. If a counterclaim is asserted, it shall contain a statement setting forth the nature of the counterclaim, the amount involved, if any, and the remedy sought. If no answering statement is filed within the stated time, it will be treated as a denial of the claim. Failure to file an answering statement shall not operate to delay the arbitration.

(d) Claimant and Respondent(s) shall file copies of the notice of claim and answering statement, the amount involved, if any, and the remedy sought with the Arbitration Service upon its selection, together with appropriate filing fees as required by such service.

3. CHANGES OF CLAIM

After filing a claim if either party desires to make any new or different claim or counterclaim, same shall be made in writing and filed with the Arbitration Service and a copy shall be mailed to the other party, who shall have a period of ten (10) days from the date of such mailing within which to file an answer with the Arbitration Service. After the Arbitrator is appointed hereinbelow, however, no new or different claim may be submitted except with the Arbitrator's consent.

4. SELECTING THE ARBITRATOR

The arbitration will be heard and presided over by a single neutral arbitrator ("Arbitrator") selected by mutual agreement from the Arbitration Service's panel. If the parties are unable to agree on an Arbitrator within thirty (30) days of the selection of the Arbitration Service, the Arbitration Service will provide a list of prospective arbitrators from their panel numbering one more than there are parties to the dispute. Each party may then strike one name and the remaining panelist will serve as the designated Arbitrator. If more than one panelist remains, then the Arbitration Service shall choose one of the remaining panelists to serve as the designated Arbitrator.

If, for any reason, the Arbitrator should fail or be unable to perform the duties of his office, then the Arbitration Service may declare the office vacant and said vacancy shall be filled in accordance with the terms of this Article for the original designation of Arbitrator.

5. PRE-HEARING CONFERENCE

Once the Arbitrator has been selected, he will promptly schedule a pre-hearing conference for the purpose of ascertaining and narrowing the issues, establishing a discovery plan and selecting settlement conference dates, as well as establishing such other rules and procedures as may be agreed upon by the parties, or ordered by the Arbitrator in furtherance of the prompt resolution of the dispute.

6. SETTLEMENT CONFERENCE

Settlement conferences may be ordered at such times during the pendency of the arbitration as may be deemed appropriate by the Arbitrator or at any time upon the request of one or all of the parties. At least one settlement conference must be held prior to the commencement of the arbitration hearing.

7. DISCOVERY

Discovery shall be at the discretion of the Arbitrator and allowed upon a showing of good cause utilizing the following guidelines:

(a) The Arbitrator shall have discretion to order pre-hearing exchange of information, including but not limited to, the production of requested documents and the exchange of summaries of testimony of proposed witnesses.

(b) The deposition of the Claimant(s) and Respondent(s) shall be allowed as a matter of right. One set of interrogatories approved by the Arbitrator shall be allowed. There shall be an early and prompt designation and exchange of the names and addresses of expert witnesses who may be called to testify at the arbitration hearing. Their depositions and all others shall be allowed upon a showing of good cause.

8. MOTIONS

In keeping with the intent of the parties in entering into an arbitration agreement for the rapid and economic resolution of their disputes, all pre-arbitration motions not designed to expedite the resolution of the dispute are discouraged. Counsel are urged to seek the informal advice and assistance of the Arbitrator to resolve interim disputes.

At the pre-hearing conference or other appropriate time, the Arbitrator may establish notice requirements and other rules as may be appropriate for the hearing of motions including presentation of issues by telephone or letter as opposed to formal pleadings.

9. APPLICABLE LAW

Unless otherwise provided, the Arbitrator shall follow the substantive law and the rules of evidence for the trial of civil actions of the State of Texas.

10. DATE, TIME & PLACE OF HEARING

The Arbitrator shall set the date, time, and place for each hearing and shall mail to each party notice thereof at least thirty (30) days in advance, unless the parties by mutual agreement waive such notice or modify the terms thereof. The arbitration hearing shall take place no sooner than thirty (30) days nor later than one year from the date of the initial prehearing conference unless agreed to by the parties or ordered by the Arbitrator.

11. STENOGRAPHIC RECORD

A stenographic record shall be made of the hearing. The cost of such record shall be shared equally by the parties participating in such hearing. Copies of the stenographic record shall be provided to the Arbitrator and all of the parties. In addition, the Arbitrator shall cause all pleadings filed by the parties to be included with the stenographic record.

The pleadings and the stenographic record of the hearing shall constitute the official record of the proceedings.

12. ARBITRATION IN THE ABSENCE OF A PARTY OR REPRESENTATIVE

The arbitration may proceed in the absence of any party or representative who, after due notice, fails to appear. However, an award shall not be made solely on the default of a party, and the Arbitrator shall require the appearing party who is present to submit such evidence as necessary for the making of an award.

13. WAIVER OF RULES

Any party who proceeds with the arbitration after knowledge that any provision or requirement of these rules has not been complied with and who fails to state an objection thereto in writing shall be deemed to have waived the right to object.

14. SERVING NOTICE

Each party shall be deemed to have consented that any papers, notices, or process necessary or proper i) for the initiation or continuation of any arbitration under these rules; ii) for any court action in connection therewith; or iii) for the entry of judgment on any award made under these rules, may be served on a party by certified or registered mail, addressed to the party or its representative at the last known address, or by personal service provided that reasonable opportunity to be heard with regard thereto has been granted to the party.

15. TIME AND FORM OF AWARD

The award shall be made promptly by the Arbitrator and, unless otherwise agreed by the parties or specified by law, no later than thirty (30) days from the close of the hearing. The award shall be in writing and signed by the Arbitrator. If requested to do so by any of the parties at the time the matter is submitted for decision, the Arbitrator shall include a statement of his findings of fact and conclusions of law on a particular point or reasons for the award.

16. APPLICATION TO COURT AND EXCLUSION OF LIABILITY

(a) No judicial proceeding by a party relating to the subject matter of the arbitration shall be deemed a waiver of the party's right to arbitrate.

(b) Neither the Arbitration Service nor any Arbitrator in a proceeding under these rules is a necessary party in judicial proceedings relating to the arbitration.

(c) Parties to these rules shall be deemed to have consented that judgment upon the arbitration award may be entered in any federal or state court having jurisdiction thereof.

(d) Notwithstanding anything to the contrary herein, any party may seek in any federal or state court having jurisdiction thereof to conform, modify, correct, reject, reverse or accept in whole or in part, the award of the Arbitrator as the court may deem necessary and proper in the particular circumstances of the case. The award of the Arbitrator shall be subject generally to the same standards of review as that accorded under the Texas General Arbitration Act. Vernon's Ann Civ. St. Article 224 et seq. The Court shall not be limited in its deliberation and review to the grounds set forth in the Texas General Arbitration Act. Any arbitration award shall be subject to appeal only like a final judgment entered in a trial court in the State of Texas, and the arbitration award may be upheld, modified or vacated as though it were a final judgment from a trial court.

17. COSTS

Each party shall be responsible for its own costs and witness fees incurred in any arbitration. The costs of the Arbitration Service and the Arbitrator shall be shared equally by the parties.

18. CONFIDENTIALITY

The entire record of the proceedings shall be kept strictly confidential by the parties. No party shall disclose, or allow to be disclosed, any of the information that my be elicited in the course of discovery unless and until a judgment on the Arbitrators award is sought in any federal or state court having jurisdiction Provided, however, if any request is received.from a governmental agency or by subpoena to disclose any of the information which has been deemed to be confidential, the request shall be relayed to the other parties to this agreement. If any party to this agreement wishes not to have the information disclosed to said third party, then the party not wishing to have such information disclosed shall, at its sole cost and expense, take such actions as it deems advisable to permit the party from whom the information is requested not to be required to disclose the requested information. The party desiring not to have such information disclosed shall indemnify the other party from whom the information is sought against any liability which it might incur as a result of its nondisclosure of the information. Any information required to be disclosed as a result of a nonappealable court order may be disclosed.

19. INJUNCTIVE RELIEF

The Arbitrator shall not have the power to grant any injunctive relief against any of the parties.

EXHIBIT 10.5

PARTNERSHIP AGREEMENT

between

SUN BEF, INC.

ENTERPRISE PRODUCTS COMPANY

and

LIQUID ENERGY FUELS CORPORATION

Dated May 1, 1992

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PARTNERSHIP AGREEMENT

THIS PARTNERSHIP AGREEMENT ("Agreement"), effective as of May 1, 1992 is made by and among Sun BEF, Inc., a Texas corporation ("Sun Partner") Enterprise Products Company, a Texas corporation ("Enterprise Partner" or "Enterprise"), and Liquid Energy Fuels Corporation, a Delaware corporation ("LEC Partner"). Sun Partner, Enterprise Partner and LEC Partner may be referred to herein collectively as "Partners" and individually as "Partner".

WITNESSETH:

WHEREAS, Sun Partner is a Subsidiary of Sun Company, Inc. (R&M), a Pennsylvania corporation ("Sun");

WHEREAS, LEC Partner is a Subsidiary of Liquid Energy Corporation, a Delaware corporation ("LEC"); and

WHEREAS, Sun, Enterprise and LEC (hereinafter referred to as "Parties" or individually as "Party") entered into a Venture Participation Agreement dated as of May 1, 1992 (the "Venture Participation Agreement") whereunder each agreed to jointly form a general partnership under Texas law, through their respective Partners, in accordance with the terms of this Agreement;

NOW, THEREFORE, in consideration of the foregoing and the mutual and dependent agreements hereinafter set forth, the Partners agree as follows:

ARTICLE 1. CERTAIN DEFINITIONS

The following definitions shall apply in the interpretation of this Agreement unless otherwise provided:

1.1 "Affiliate(s)" means, as, to the Partner specified, an entity that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, such Partner.

1.2 "Construction Agreements" means, collectively, the agreements pertaining to the engineering and construction of the Facility, the content of which shall be approved in advance by all of the Partners, and entered into between the Partnership and such engineers and contractors as are selected by agreement of all the Partners.

1.3 "Extended Services Agreement" means the agreement between the Partnership and Enterprise for the provision of certain utilities and other services for the benefit of the Facility, to be executed promptly hereafter, as the same may be amended from time to time as set forth therein.

1.4 "Facilities Expenses" means, as to a given period, all expenditures, costs and expenses recorded on the books and records of the Partnership in accordance with this Agreement and generally accepted accounting principles other than those costs and expenses that are (i) capital expenditures, (ii) Feedstock Costs, (iii) Turnaround Costs, (iv) costs related to debt or (v) depreciation and amortization expense.

1.5 "Facility" means the isobutane dehydrogenation and MTBE production facility, having a minimum annual design production capacity of 193,450,000 gallons of MTBE, which the Partnership shall cause to be engineered and constructed at the Site.

1.6 "Facility Charge" means a monthly charge of 1.25% of (i) the historical cost of the gross fixed assets of the Facility, including all capital additions made as of the date of determination less (ii) accumulated depreciation.

1.7 "Feedstock Costs" means, as to a given period, the total costs to the Partnership to acquire Isobutane and methanol consumed, lost in normal operations or otherwise used in the operations of the Facility for such period, including transportation and

storage thereof. Feedstock Costs shall include such costs as are properly allocable under the LIFO inventory method for such feedstock from inventory that is consumed, lost in normal operations or otherwise used in operations for such period, but will not include the cost of feedstock purchased for inventory or lost in other than normal operations.

1.8 "Financing" means the financing obtained for the benefit of the Partnership prior to Start-Up (including loans for working capital for the Partnership, construction loans, financing in the form of a lease or sale/leaseback) and any subsequent refinancing of such obligations.

1.9 "Isobutane" means isobutane meeting the minimum specifications set forth in the Isobutane Supply Agreements, as the same may be amended from time to time as set forth therein.

1.10 "Isobutane Supply Agreements" means, collectively, the isobutane supply agreement between each of the Parties and the Partnership, to be executed promptly hereafter, as the same may be amended from time to time as set forth therein.

1.11 "License Agreements" means, collectively, the agreements between the Partnership and the entities selected by the agreement of all the Partners whereby such entities shall supply and license to the Partnership, on terms acceptable to the Partners, the isobutane dehydrogenation, MTBE and other mutually acceptable technologies necessary to operate the Facility.

1.12 "Management Committee" means the Partnership's management committee, as described in Section 5.2 hereof, having the powers and responsibilities set forth in this Agreement.

1.13 "Mechanical Completion" means that date, determined pursuant to the Construction Agreements, when the Facility is mechanically and structurally complete such that commissioning of the Facility may be commenced in a safe and orderly manner.

1.14 "Month" shall mean a period of time commencing at 7:00 a.m., Houston, Texas time, on the first day of any calendar month and ending at 7:00 a.m., Houston, Texas time, on the first day of the next succeeding calendar month.

1.15 "MTBE" means methyl tertiary butyl ether product meeting the minimum specifications set forth in the MTBE Off-Take Agreement, as the same may be amended from time to time as set forth therein.

1.16 "MTBE Off-Take Agreement" means the agreement between Sun and the Partnership for the purchase and sale of MTBE, to be executed promptly hereafter, as the same may be amended from time to time as set forth therein.

1.17 "Net Earnings" means the net amount of all revenues and expenses, gains and losses recorded during the period on the books of BEF in accordance with generally accepted accounting principles, consistently applied.

1.18 "Operating Expenses" means, as to a given period, the sum of Facilities Expenses and Feedstock Costs.

1.19 "Operating Loss" means that the Partnership experiences a negative Operating Margin (i.e., Operating Expenses exceeds Revenues) during a given period of at least one Month.

1.20 "Operating Margin" means (i) Revenues minus (ii) Operating Expenses during a given period of at least one Month.

1.21 "Operator" means the Operator designated in the Plant Operating Agreement.

1.22 "Partnership" means the general partnership between the Partners created by and pursuant to Article 2 of this Agreement.

1.23 "Partnership Interest" means the respective ownership interest of each of the Partners in the Partnership, as specified in Section 3.1 hereof, as the same may be adjusted hereafter, from time to time, by any Partner's assignment or transfer of its Partnership Interest as contemplated in Article 10 hereof.

1.24 "Permanent Financing" shall mean the initial long-term financing of the Partnership.

1.25 "Permanent Financing Year" shall mean each year during the period of Permanent Financing, beginning with the first day of the Month next following the date on which the term of Permanent Financing begins. If the term of Permanent Financing begins on the first day of a Month, then the first Permanent Financing Year shall begin on that date.

1.26 "Plant Operating Agreement" means the agreement between Enterprise and the Partnership with respect to operation of the Facility to be executed promptly hereafter, as the same may be amended from time to time as set forth therein, or any successor agreement thereto.

1.27 "Project Services Agreement" means the agreement between Enterprise and the Partnership with respect to the design, engineering and construction of the Facility, to be promptly executed hereafter, as the same may be amended from time to time as set forth therein, or any successor agreement thereto.

1.28 "Refinery Grade Propylene Off-Take Agreement" means the agreement between Enterprise and the Partnership with respect to the purchase and sale of the refinery grade propylene which is produced as a by-product at the Facility, to be promptly executed hereafter, as the same may be amended from time to time as set forth therein, or any successor agreement thereto.

1.29 "Revenues" means income to the Partnership from sales of all products (i.e., MTBE), by-products and services.

l.30 "Site" means that certain real, property located in Mont Belvieu, Texas and owned by Enterprise, as more particularly described in Exhibit "A" to the Venture Participation Agreement.

1.31 "Start-Up" means the last day of the Month in which Facility production, over a consecutive thirty (30) day period, first equals or exceeds an average of 424,000 gallons of MTBE per day. In no event, however, shall Start-Up be later than the first day of the Month following the date that is four (4) months after Mechanical Completion.

1.32 "Subsidiary" means, as to the Partners specified, an entity that directly, or indirectly through one or more intermediaries, is wholly owned by such Partner or such Partner's Party or its successor or permitted assign.

1.33 "Surplus Margin" means the amounts to be computed for disproportionate sharing in accordance with the methodology described in Exhibit "A" attached hereto and made a part hereof.

1.34 "Turnaround Costs" means, as to a given period, all expenditures, costs and expenses incurred (net of accrual reversals) or accrued in conjunction with the periodic planned shutdown of the Facility for a change out of catalyst and other maintenance performed at the time of such change out of catalyst. The timing of such turnarounds shall be determined by the Management Committee and expected to occur once every two to four years.

ARTICLE 2. FORMATION OF THE PARTNERSHIP

2.1 Formation, The Partners hereby form a general partnership under the Texas Uniform Partnership Act, Vernon's Ann. Civ. St. Art.6132b, for the purposes set forth in

Section 2.3. Each Partner shall use its best efforts to do ail acts and things necessary to perfect and to continue the maintenance of the Partnership as a general partnership under Texas law.

2.2 Name. The Partnership shall be carried on under the name of Belvieu Environmental Fuels ("BEF").

2.3 Purposes. The Partnership has been formed for the purpose of constructing, operating and owning or leasing an isobutane dehydrogenation and MTBE production facility for the production of MTBE. The Partnership may engage in any and all other activities as may be necessary, incidental or convenient to carry out the business of the Partnership as contemplated by this Agreement and the Venture Participation Agreement.

2.4 Principal Office and Place of Business. The principal office and place of business of the Partnership shall be located at Mont Belvieu, Texas or such other location as shall be agreed upon by all of the Partners from time to time.

2.5 Term. The Partnership shall continue in effect from the date hereof until the fiftieth anniversary hereafter, unless sooner terminated as herein provided or pursuant to law.

ARTICLE 3. CAPITAL CONTRIBUTIONS, PARTNERSHIP INTEREST, ETC.

3.1 Initial Capital Contributions. Following execution of this Agreement and at such time or times as the Management Committee deems appropriate, the Partners shall contribute to the capital of the Partnership, in cash, sufficient funds to finance the necessary engineering work preceding construction of the Facility, not to exceed a total of $8 million dollars in the aggregate. Such initial capital contribution shall be made by each of the Partners in proportion to its respective Partnership Interest set forth opposite its name below:

Partner	Partnership Interest
Sun Partner	33 1/3%
Enterprise Partner	33 1/3%
LEC Partner	33 1/3%

3.2 Additional Capital Contributions. Additional capital contributions for the financing of subsequent capital expenditures shall be undertaken as directed by the Management Committee in accordance with Section 5.4 hereof. If a cash call is made by the Management Committee pursuant to Section 4.3, each Partner shall contribute, as an additional capital contribution, such portion of the capital call as is proportional to its Partnership Interest.

3.3 Borrowings. The Partnership may, if directed by the Management Committee in accordance with Section 5.4(c)(1), borrow the funds necessary to enable the Partnership to commence business and to continue in operation and to meet its obligations. The Partnership may also, if directed by the Management Committee in accordance with Section 5.46(j), create liens against the Partnership property.

3.4 General. It is the intention of the Partners that the Permanent Financing of the Partnership be equal to 80% of all costs and expenses incurred by the Partnership through the Start-Up date and that the Permanent Financing would contain provisions to be amortized on a mortgage-style (equal payments including principal and interest) basis over sixty (60) months. Such level of financing and amortization is related to the decisions of the Partners in regards to the sharing revenues described herein. The Partners agree to use their best efforts to secure financing equal to such 80% level and sixty (60) month amortization.

3.5 Short-Term Funding. The Partners may cause a revolving credit line to be made available to the Partnership to fund temporary cash needs of the Partnership (the "Working Capital Line"). As to be determined by the Partners from time to time, the

Working Capital Line may be provided by (i) the Partners in proportion to each Partner's Partnership Interest, (ii) third party lenders or (iii) a combination of (i) and (ii) above. Draws on and repayments of the Working Capital Line shall be determined from time to time by the Management Committee.

3.6 Major Capital Additions. The decisions of the Partners in regards to the sharing of revenues described herein is directly related to a specified relationship of debt to capital assets and the expectation that the majority of capital expenditures after the initial year of operations will be maintenance in nature. However, it is also understood that opportunities could arise for discretionary capital expenditures which are major in nature and would have a material affect on the expected future cash flows of the Partnership. In the event that any discretionary capital additions are designated by unanimous vote of the Management Committee as Major Capital Additions, the Partners agree to negotiate in good faith any changes that might result in the sharing ratios or other provisions of this Agreement.

3.7 Partners' Allocation. For accounting and Federal Income Tax purposes, Net Earnings, tax deductions and credits will be allocated to each Partner in proportion to its Partnership Interest; provided, any amounts determined to be Surplus Margin shall be allocated to each partner in proportion to its respective Surplus Margin Interest (hereinafter referred to as "Surplus Margin Interest") set forth opposite its name below:

Partner	Surplus Margin Interest
Sun Partner	55 1/2%
Enterprise Partner	22 1/4%
LEC Partner	22 1/4%

3.8 Distributions. Except as provided in Section 4.2, no Partner shall be entitled to withdraw any part of its capital in the Partnership or to receive any distribution from the Partnership except as part of a liquidating distribution as provided in Section 12.2 of this

Agreement. No Partner shall have the right to receive any property other than cash in liquidation of its interest, unless otherwise unanimously approved by the Management Committee.

3.9 Capital Accounts. An individual capital account shall be maintained for each Partner. The capital account of each Partner shall consist of (a) the sum of (i) its initial capital contribution(s), plus (ii) any additional capital contributions made by it, plus (iii) its share of Partnership profits minus (b) the sum of (i) distributions to it and (ii) its share of Partnership losses, all in accordance with the terms of this Agreement.

3.10 Negative Capital Accounts. If, at the time of winding up the Partnership pursuant to Section 12.2, any Partner's capital account has a negative balance for any reason, such Partner shall restore its capital account to a zero balance.

ARTICLE 4. CASH CALLS AND DISTRIBUTIONS

4.1 Net Cash Flow or Deficit. At the end of each calendar quarter the Partnership's net cash flow ("Net Cash Flow") or net cash deficit ("Net Cash Deficit") for such quarter shall be determined in the following manner:

(a) Net Earnings, before depreciation and amortization, non-cash write-offs, and gains and losses on the sale of assets; plus

(b) proceeds from the sale of assets; plus

(c) all other cash receipts not included in (a) and (b) above from whatever source (including the proceeds of financing or refinancing, but excluding receipts of cash calls); minus

(d) capital expenditures incurred in accordance with this Agreement; minus

(e) such quarter's proportionate share of principal payments made or scheduled to be made on debt; minus

(f) such reserves for future debt service as may be required by the Partnership debt agreements or as the Management Committee may from time to time deem necessary; minus

(g) such additional amounts as the Management Committee may determine from time to time to be necessary or desirable for working capital and/or short term reserves.

4.2 Cash Distributions, Within forty-five (45) days after the end of each calendar quarter, or as otherwise directed by the Management Committee, any Net Cash Flow for such quarter, except for amounts equal to such quarter's Surplus Margin, shall be distributed to the Partners in proportion to their Partnership Interest. Amounts allocated to Surplus Margin for such quarter shall be distributed to the Partners in proportion to their Surplus Margin Interest. In the event that Surplus Margin for any quarter is less than zero, such negative Surplus Margin will reduce the Surplus Margin otherwise distributable for such Permanent Financing Year. No cash distributions will be made to the Partners prior to the period of the Permanent Financing.

4.3 Cash Calls. Unless otherwise agreed by all Partners, each Partner shall be invoiced for its proportionate share (determined in accordance with its Partnership Interest) of:

(a) the amount of any Net Cash Deficit determined for any period in accordance with Section 4.1 above, and/or

(b) an amount determined by the Management Committee pursuant to Section 5.4 hereof as necessary or desirable for major capital projects or other Partnership needs.

Each Partner shall pay to the Partnership its said proportionate share of such cash calls properly invoiced within fifteen (15) days of such invoice date or as otherwise agreed in writing by all the Partners. Any Partner which fails to pay its share of such cash call on time shall be additionally obligated hereunder to pay interest thereon at a rate equal to two (2) percentage points over the prevailing prime rate of Chemical Bank in New York, New York, but not to exceed the maximum annual rate allowable at law.

ARTICLE 5. MANAGEMENT OF THE PARTNERSHIP

5.1 Compliance with Venture Participation Agreement, The Partners each agree to conduct the business and affairs of the Partnership in compliance with the Venture Participation Agreement. In connection therewith, the Partners shall cause the Partnership to execute the following documents when and as required by Section 2.3 of the Venture Participation Agreement: the Plant Operating Agreement, the Isobutane Supply Agreements, the MTBE Off-Take Agreement, the Refinery Grade Propylene Off-Take Agreement, the Extended Services Agreement, the Project Services Agreement, the Construction Agreements, and the License Agreements.

5.2 Management Committee Appointment, (a) Subject to the preceding Section 5.1, the business and affairs of the Partnership shall be managed by or under the direction of a management committee in accordance with this Agreement. Such committee shall consist of three (3) members or such lesser number of members as may be entitled to serve as a result of the suspension of a Partner's membership rights pursuant to Section 11.3 hereof (the "Management Committee"). Subject to Section 11.3 hereof, for each thirty-three and one-third percent (33 1/3%) interest it owns in the Partnership, a Partner shall be entitled to appoint one (1) such member. Accordingly, based upon each Partner's initial Partnership Interest described in Section 3.1, one (1) of said members shall be an appointee of Sun Partner, one (1) member shall be an appointee of Enterprise Partner, and one (1) member shall be an appointee of LEC Partner. A vacancy in membership on the Management Committee shall be filled by an appointee of the Partner that appointed the departed member.

5.3 Alternate Members. Each Partner may designate one (1) or more persons to serve as an alternate for its respective appointed member(s) on the Management Committee. The alternate member may act only in the absence of the member for whom he is serving as an alternate and only as instructed by such absent member. The alternate member shall be entitled to attend, vote and exercise all the powers and rights of the absent member at meetings of the Management Committee.

5.4 Principal Responsibilities of the Management Committee. The principal responsibilities of the Management Committee include, but are not limited to, the following:

(a) By unanimous approval, purchase the Site or select an alternative site and approve the construction of the Facility in accordance with the applicable Construction Agreements and any material changes thereto or cessation thereof.

(b) Review and approve major goals and policies after full consideration of the recommendations of the Operator, including:

(1) Review annually and approve the Partnership's long-range plan;

(2) Review annually and approve the Partnership's short-term forecast for the succeeding two fiscal years;

(3) Review the Partnership's performance as it relates to the long-range plan and the annual forecast;

(4) By unanimous approval, review and approve any significant changes in basic structure or direction of the Partnership's business, such as getting into a new line of business (i.e., unrelated to the dehydrogenation of isobutane or production of MTBE) or getting out of an existing line of business. Nothing contained herein requires any Partner to first offer any business opportunity, whether the same as the business of the

Partnership or unrelated thereto, to the Partnership or the other Partners before taking such opportunity for itself,

(5) By unanimous approval, review and approve any significant changes, such as the formation or acquisition of any company, the acquisition or divestiture of any business, through purchase or sale of assets, shares or otherwise;

(c) With respect to the Partnership's financial condition:

(1) by unanimous approval, authorize the incurrance, terms and changes to the terms of any short-term or long-term borrowing by the Partnership;

(2) by unanimous approval, authorize the issuance by the Partnership of any guarantee to banks, suppliers, etc.;

(3) (A) Subject to the special requirements of subsections (c)(3)(B) and (c)(3)(C) below, review and approve for the Partnership the annual operating and capital expenditures budgets, any increase in any such budget, and any individual operating or capital expenditure (other than those which the Operator makes in accordance with the express authority granted it under the Plant Operating Agreement) that is not specifically identified in the approved annual operating or capital expenditures budget,

(B) The following items covered by subsection (c)(3)(A) above shall require unanimous approval:

(i) any individual capital expenditure or operating expense project of more than $50,000 to be expended at a time at which the Partnership is incurring or reasonably expects to incur within any of the following three (3) Months, Operating Losses, regardless of whether contained within a previously approved annual budget, unless such expenditure or project is to be paid by one or more of the Partners at their sole expense pursuant to Section 8.6(c);

(ii) at the time of approval of the relevant annual budget and, if such approval occurs more than three (3) months prior to the time of initial expenditure therefor, again at such time of initial expenditure, with respect to any individual capital expenditure or operating expense project of more than $2,000,000: and

(iii) at the time of expenditure with respect to any individual capital expenditure which, when made, will have the effect, when considered with both previously made and unexpended approved capital expenditures, of increasing the total capital expenditures for any fiscal year to an amount exceeding $3,000,000;

(C) Notwithstanding anything to the contrary contained hereinabove, any such expenditure referenced in subsections (c)(3)(B)(i), (ii) or (iii) above which is deemed by a majority of the members of the Management Committee to be in the nature of a necessary measure to satisfy the requirements of any environmental or other law, rule, regulation or order of any Federal, State or local authority applicable to the Facility and/or the Site, shall not require unanimous approval of the members of the Management Committee.

(d) select, annually, a nationally recognized accounting firm to act as the Partnership's outside auditors and review their performance.

(e) Approve the disposition of any capital asset of the Partnership if such disposition is not covered by a budget approved pursuant to subsection (c) above; provided that the disposition of any capital asset valued at more than $100,000 shall require unanimous approval.

(f) Approve the entering into, amendment, extension, early termination, or other modification of all contracts with third parties, including leases, involving the Partnership (other than those which the Operator enters into, amends, extends or otherwise modifies in accordance with the express authority granted it under the Plant Operating Agreement); provided that such approval shall only be by unanimous consent with respect

to the following: (1) entering into the Construction Agreements, the License Agreements or any other contracts (excluding other agreements for the licensing of technology) that cannot be fully performed within five (5) years following commencement, unless the Partnership may terminate without penalty all of its obligations thereunder at some time within such five (5) year period; and (2) entering into contracts under which the total payments due from the Partnership will exceed $2,000,000.

(g) By unanimous approval, approve the entering into, amendment, extension, early termination, or other modification of all contracts between the Partnership and any Partner or any Affiliate of a Partner; provided that the early termination of the Plant Operating Agreement, Project Services Agreement and the Extended Services Agreement shall only require the affirmative vote of a quorum of the Management Committee as required by Section 5.5 hereof.

(h) At the request of one or more Partners, cause the Partnership to conduct an audit of the records of any Partner or any Affiliate of a Partner which is a party to a contract with the Partnership, but only to the extent the Partnership has a right to conduct such an audit pursuant to the terms of such contract. If the conduct of such audit is approved by the affirmative vote of at least two (2) members of the Management Committee, the cost thereof shall be borne by the Partnership. If fewer than two (2) members of the Management Committee vote to conduct such audit, it shall be conducted by the Partnership but the cost thereof shall be borne solely by the requesting Partner(s).

(i) Approve initiation or settlement of any litigation involving claims or settlements involving the Partnership; provided that unanimous approval shall be required for any settlement involving payment(s) greater than $25,000.

(j) By unanimous approval, authorize the placing of any liens or other encumbrances upon property of the Partnership.

(k) By unanimous approval, authorize any amendment to or repeal of this Agreement.

(1) By unanimous approval, make the decision concerning insurance that is referenced in Section 8.4(b).

5.5 Quorum and Requisite Vote, A quorum at all meetings of the Management Committee shall consist of two (2) members of the Management Committee present in person or by proxy. Except for those items in Section 5.4 expressly requiring the unanimous approval of all members, the affirmative vote of two (2) members of the Management Committee shall be necessary for the passage of any resolution or for any other action by the Management Committee (except adjournment of a meeting where less than a quorum is present). As to those items for which the unanimous approval of all members is expressly required for passage, the affirmative vote of all three (3) members of the Management Committee shall be required; provided that, in the event all three (3) members are not present, in person or by proxy, at the meeting at which such item or items are first presented for consideration, consideration of such item or items shall be postponed until a subsequent special meeting convened for such purpose and, in the event only two (2) members attend such special meeting, in person or by proxy, the unanimous approval of such two (2) members shall be sufficient for the passage of such item or items.

5.6 Regular Meetings. The regular meetings of the Management Committee shall be held at the principal office of the Partnership or at such other location as determined by the Management Committee from time to time. Such regular meetings shall be held no less frequently than on a quarterly basis, on such date and at such time as the Chairman shall designate by notice sent pursuant to Section 5.8 below.

5.7 Special Meetings. In addition to the regular meetings described above, special meetings may be held from time to time at the then-current meeting place of the Management Committee as deemed appropriate by any member of the Management

Committee. Such member shall submit notice of any such meeting as required by Section 5.8 below.

5.8 Notice of Meetings. At least fifteen (15) days prior written notice of any meeting shall be given by the Chairman, if a regular meeting, or by the member calling such meeting if a special meeting. Such notice shall be given to each remaining member by hand, telex. telefax or overnight courier service, shall specify the date, hour, and place of the meeting, and shall state the purpose or purposes for which the meeting is called. Notwithstanding the foregoing, notice shall not be necessary for any meeting at which all of the members are in attendance. Further, the written waiver of notice for such meeting by any member, whether provided before or after the time stated herein for the giving of such notice, shall be deemed equivalent to notice as required herein.

5.9 Action Without a Meeting. Any action required or permitted to be taken at any meeting of the Management Committee may be taken without a meeting and without the notice specified in Section 5.8 above if at least three (3) days prior notice is given to all members and the members necessary to take such action at a meeting of the Management Committee consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Management Committee.

5.10 Participation in Meetings by Telephone Permitted. Members of the Management Committee may participate in a meeting of the Management Committee by means of conference telephone or similar communications equipment so long as all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this Section shall constitute presence in person at such meeting.

5.11 Organization. The Chairman of the Management Committee (the "Chairman") shall be designated by majority vote of the members of the Management Committee at an election to be held no less often than once every two (2) years. The Chairman shall preside over meetings of the Management Committee and shall have and may exercise such powers as may, from time to time, be assigned by the Management Committee, including, without

limitation, the execution on behalf of the Partnership of contracts authorized by the Management Committee. In the absence of the Chairman and his alternate, the remaining members shall elect a member in attendance to serve as chairman for that meeting. The Secretary of the Management Committee ("Secretary") shall be appointed by majority vote of the members of the Management Committee. The Secretary, or in the absence of the Secretary, his alternate, shall act as secretary of the meeting and maintain the minutes of the meeting, but in the absence of the Secretary and his alternate, the Chairman of the meeting may appoint any member in attendance to act as secretary of the meeting.

5.12 Forecast of Operating Margin. In connection with its ongoing review of the operations of the Facility, the Management Committee shall, on a monthly basis, prepare a forecast of the next succeeding Month's estimated Operating Margin. Such forecast shall be prepared and delivered to each Partner as late as practicable each Month, but in no event later than the 20th day of the Month immediately preceding the Month being forecast.

5.13 Compensation, Unless otherwise determined by the Management Committee, no member of the Management Committee or any subcommittees thereof shall be entitled to be paid by the Partnership for services rendered or expenses incurred in connection with the operations of the Management Committee or such subcommittees, as the case may be.

5.14 Indemnification of Members. (a) The Partnership shall, and is hereby obligated to, indemnify each member of the Management Committee (the "Indemnitee(s)"), to the full extent then permitted by applicable law, against all costs, expenses (including attorneys' fees), judgments, fines and amounts paid in settlement, in each and every situation where the Partnership is obligated or permitted to make such indemnification under such law, but excluding situations where the gross negligence or intentional misconduct of the Indemnitee is the cause of such liability, costs, etc. This indemnification obligation shall continue as to persons who have ceased to be members of the Management Committee and shall inure to the benefit of the heirs and personal representatives of any such person.

(b) Expenses incurred in defending any proceeding against any member of the Management Committee may be advanced by the Partnership before the final disposition of the proceeding on receipt of such security as the Management Committee may deem appropriate and an undertaking by or on behalf of the Indemnitee to repay the amount of the advance if it shall ultimately be determined that the Indemnitee is not entitled to be indemnified as authorized by Section 5.14(a).

(c) The Management Committee may require the Partnership to purchase and maintain insurance on behalf of any Indemnitee against any liability that may be asserted against or incurred by the Indemnitee in his capacity as a member of the Management Committee.

ARTICLE 6. SUBCOMMITTEES

6.1 Technical Subcommittee. Promptly following formation of the Partnership, the Management Committee shall designate a Technical Subcommittee, the responsibilities of which shall be to direct the engineering and construction of the Facility, and to report, on a regular basis, to the Management Committee concerning said responsibilities.

6.2 Finance Subcommittee. Promptly following formation of the Partnership, the Management Committee also shall designate a Finance Subcommittee, the responsibilities of which shall be to provide financial advice and support, as directed by the Management Committee from time to time, and to report on a regular basis to the Management Committee concerning said responsibilities.

6.3 Other Subcommittees. The Management Committee may, by resolution, designate one or more other subcommittees as it deems necessary from time to time.

6.4 Subcommittee Rules. Each subcommittee designated hereunder shall be comprised of three (3) members. Each member of the Management Committee shall have the right to appoint one of said subcommittee members. The Management Committee may

designate one or more alternate members of any subcommittee, who may replace any absent or disqualified member at any meeting of the subcommittee. Unless the Management Committee otherwise provides, each subcommittee designated by the Management Committee may adopt, amend and repeal rules for the conduct of its business and shall conduct its business in the same manner as the Management Committee conducts its business pursuant to this Agreement. Any such subcommittee shall have and may exercise such powers and authority as are delegated to it by resolution of the Management Committee.

ARTICLE 7. RESPONSIBILITIES OF OPERATOR

7.1 Plant Manager. Promptly following execution of the Plant Operating Agreement, the Operator shall nominate, for approval by the Management Committee, a qualified employee of Operator to serve as the Facility's plant manager, with primary responsibility for Operator's performance of the Plant Operating Agreement (the "Plant Manager"). The Management Committee shall retain the right to require Operator to remove and replace the Plant Manager if and at such times as the Management Committee believes such action to be in the best interest of the Partnership.

7.2 Duties and Authorities, The Operator shall direct the business and administrative affairs of the Facility in accordance with the duties and authorities expressly provided herein and in the Plant Operating Agreement. The primary focus of the Operator shall be to assure that the Facility is operated on a safe and profitable basis for the benefit of the Partnership as a whole, and that issues affecting individual interests of any of the Partners are resolved in an equitable and unbiased fashion. The Operator shall report directly to the Management Committee.

ARTICLE 8. OTHER OPERATIONS OF THE FACILITY

8.1 Completion of the Facility. Following acquisition of the Site and upon approval of the Management Committee, the Partnership shall cause the Facility to be

engineered and constructed on the Site. The Facility shall consist of an isobutane dehydrogenation unit and facilities and fixtures designed to produce MTBE. In connection therewith, the Partnership shall construct such facilities and fixtures as are necessary for the handling and delivery of isobutane from existing pipelines and storage facilities made available at Mont Belvieu, Texas, including all attendant connecting pipelines, pumps, meters and other ancillary equipment and facilities necessary for such handling and delivery.

8.2 Repair and Maintenance. The Partnership shall, at its own cost and expense, cause the Facility to be maintained and kept in good repair and operating condition, making from time to time any and all repairs thereto and renewals and replacements thereof as are necessary for the operation of the Facility for the uses herein contemplated and as are appropriate for facilities of similar construction and class including such repairs required for compliance with governmental regulations. The Partnership shall use ail reasonable precautions to prevent waste, damage or injury to the Facility. This obligation of the Partnership with respect to repairs and maintenance is intended and understood to cover and include the entire Facility and each part and portion thereof (including all structures, fixtures, machinery, equipment and related property which at any time shall be erected or installed thereon or therein), both inside and outside, structural or non-structural extraordinary or ordinary, and whether the same be determined to be in the nature of real property, personal property or mixed.

8.3 Utilities, The Partnership shall, at its own cost and expense, undertake to obtain all services for the Facility, including gas, heat, electric current and water supply, to the extent not already provided for by the Plant Operating Agreement or the Extended Services Agreement.

8.4 Insurance. During the term of this Agreement, each Partner or the Partnership shall either self insure its own interest or carry and maintain in full force, with reputable insurers, all at its or their own cost and expense, the following insurance coverages with reasonable limits as determined by the Management Committee:

(a) Property and Business Interruption Coverage

(1) All risk physical damage coverage on all real and personal property of every kind, nature and description, excluding land, foundations, and underground piping, that constitutes the Facility and the storage and loading facilities. Such all risk policy shall include, but not be limited to, coverage for losses arising from the perils of fire, flood, earthquake, windstorm, hurricane, hail, vandalism and malicious mischief. Values on policy shall be on a replacement cost basis.

(2) All risk business interruption coverage against loss of earnings resulting directly from interruption of business caused by damage to or destruction of real or personal property located at the Facility. Such all risk policy shall include coverage for same perils as provided in (1) above. Values for business interruption would be determined as the sum of:

> Total net sales value of production and other earnings derived from operations less cost of raw stock from which production is derived and materials and supplies consumed directly in the conversion of raw stock into finished stock.

(3) All risk coverage on products and inventory of products stored at the Facility at the risk of the Partnership. Such all risk coverage shall include coverage for the same perils as included in (1) and (2) above.

(4) Boiler and Machinery insurance providing coverage against accidental breakdown of objects including boilers, fired or unfired vessels, refrigerator systems, piping with accessory equipment and other objects as insured under a comprehensive policy.

(5) Use and Occupancy coverage providing loss of income coverage resulting from accidental breakdown of objects as detailed in (4) above.

(6) All Risk Builder's Risk coverage during construction on all improvements made to the Facility during the term of this Agreement.

(7) Loss Adjustment Endorsement shall be included on property damage and boiler and machinery insurance policies.

(8) Excess Lability coverage providing limits of liability in excess of primary limits of liability coverage maintained by Operator with limits of coverage acceptable to the Management Committee. Such coverage may be included with the property program under a package policy which provides coverage on a "combined single limit basis".

(9) Such other insurance as may be approved by the Management Committee including coverage which may be dictated under any facility financing agreement.

(10) Management Committee will determine appropriate deductibles.

(b) The decision as to whether such insurance described in (a) above shall be carried by each Partner or by the Partnership shall be made by the Management Committee.

(c) The Partnership will outline in the Plant Operating Agreement the insurance policies required to be maintained by Operator. Such insurance shall include, but not be limited to, Workers' Compensation and General Lability coverage with appropriate limitations of liability and waivers of subrogation.

8.5 Inventory Policy. The Management Committee shall determine an inventory policy concerning operation of the Facility, which policy shall pertain to, among other things, isobutane, methanol and MTBE.

8.6 Facility Shutdown. At any time after three (3) months following Start-Up, unless otherwise unanimously agreed by the Management Committee, in the event the Partnership incurs an Operating Loss in connection with operation of the Facility during any Month. operation of the Facility will be halted following such period, upon the written request of any Partner, unless or until any of the following occurs:

(a) the Management Committee determines that operation of the Facility can generate a positive Operating Margin. Such determination by the Management Committee shall be unanimous; provided, however, in the event that the Facility would have generated a positive Operating Margin for the previous Month had it been in operation for such Month, such determination by the Management Committee shall only require a majority vote;

(b) the Management Committee unanimously approves operation of the Facility without determining that it can generate a positive Operating Margin; or

(c) one (1) or more of the Partners (the "Funding Partner(s)") is willing to pay to the Partnership a sum equal to the amount necessary for the Facility to operate on a break-even basis (i.e., Operating Margin equals zero) plus the Facility Charge. In this regard, the Funding Partner(s) shall notify Operator, in writing (with copies to the other Partners), of its or their desire to have the Facility continue to operate during the next Month. Such notice should be received by Operator no later than three (3) business days prior to the date that operation of the Facility would otherwise be halted in accordance with this Section 8.6 and should include payment of the estimated sum (based on the Management Committee's forecast of Operating Margin for the next Month), if any, required by this subsection (c) in order to continue operation of the Facility for such Month. The estimated sum will be adjusted to the actual sum, if different, by a credit or charge to the Funding Partner(s) within thirty (30) days following the Month for which the estimated sum was paid. So long as monthly notice and payments are made by the Funding Partner(s) in accordance with this subsection (c), operation of the Facility in this manner shall continue until said Funding Partner(s) notify the Partnership, upon no less than seven (7) days prior

notice, that it or they are unwilling to continue paying such sum or until either of the conditions described in subsections (a) or (b) above occurs.

8.7 Involvement of Partners. Each of the Partners shall have the right to assign a representative or representatives to participate with the Operator in any of the following aspects of operation of the Facility: accounting, tax planning, engineering, or technology; provided that such representatives shall have no authority on behalf of the Partnership and shall not interfere with the Operator's performance of its duties under the Plant Operating Agreement.

ARTICLE 9. FINANCIAL MATTERS

9.1 Bank Accounts. As directed by the Management Committee, the Operator shall cause one or more interest-bearing bank accounts to be opened in the name of BEF and shall deposit therein all funds available to the Partnership. Monthly statements with regard to such accounts shall be retained with the records of the Partnership as specified in Section 9.2. The funds in these accounts shall remain independent and not be commingled with the funds of Operator or any of the Partners until proper distribution is made.

9.2 Books and Records. The financial books and records of the Partnership shall be kept and maintained by the Operator at the principal office of the Partnership in accordance with generally accepted accounting principles consistently applied, and each Partner, or its designee, shall have access to such records and shall be entitled to examine or copy them at its sole expense, from time to time, during ordinary business hours. The financial books and records of the Partnership for a fiscal year shall be retained by the Operator for the minimum period necessary to comply with (a) the Federal record retention requirements of Internal Revenue Code 26 U.S.C.A. (S)6001 and the regulations thereunder, or any successor requirements thereof, and (b) any applicable state and local record retention requirements.

9.3 Fiscal Year. The fiscal year of the Partnership shall end on December 31.

9.4 Financial Statements. (a) Unless otherwise determined by the Management Committee, the Operator shall prepare or cause to be prepared the monthly and annual financial statements as specified in (b) below. Such statements shall be prepared in accordance with generally accepted accounting principles consistently applied. The Partnership shall submit copies of such statements to each of the Partners as soon as practicable (but not later than thirty (30) days in the case of monthly financial statements) after the end of each Month or fiscal year, as the case may be. However, if in any one Month the Partnership experiences an Operating Loss, the statement of Operating Margin for the next succeeding Month shall be submitted to each of the Partners no later than twenty (20) days after the end of such succeeding Month. The annual financial statements shall be audited annually by the Partnership's independent certified public accountant, which shall be required to submit copies of its report to each Partner within thirty (30) days after completion thereof (but not later than one hundred twenty (120) days following the close of the relevant year). The Partnership shall also furnish such other financial and support information to each Partner in such detail and with such frequency as such Partner may reasonably require.

(b) Monthly financial statements required by this Section shall consist of monthly and year to date financial and operating statements, including but not limited to, a balance sheet and statements of income, Operating Margin, cash flow, product inventory, changes in the Partners' capital account, and each Partner's share of the Partnership's profits and losses. Annual financial statements required by this Section shall consist of a balance sheet, statement of profits and losses, statement of the Partners' capital accounts and changes therein for such year, statement of cash flow and a statement reflecting each Partner's share of the Partnership's profits and losses.

9.5 Tax Matters. (a) The Partners agree that the Partnership shall be treated as a partnership for purposes of Federal, state and local income tax and other taxes, and

further agree not to take any position or make any election, in a tax return or otherwise, inconsistent therewith.

(b) The Management Committee shall approve and cause (1) all required Federal, state and local partnership income, franchise, property and other tax returns, including information returns, to be filed timely with the appropriate office of the Internal Revenue Service or any other taxing authority having jurisdiction; (2) a draft of the Partnership's Federal income tax return to be prepared and submitted to each Partner not later than thirty (30) days prior to filing; and (3) a copy of the Federal income tax return of the Partnership to be submitted to each Partner within ten (10) days of such filing.

(c) For income tax return purposes, the Partnership shall elect (1) to use the maximum allowable accelerated tax method and the shortest permissible tax life for depreciation purposes, (2) to use the accrual method of accounting, (3) to report income on a calendar year basis, and (4) at the request of each Partner, to make an election under Internal Revenue Code 26 U.S.C.A. (S)754 to adjust the basis of Partnership property in the manner provided by the Internal Revenue Code 26 U.S.C.A. (S)(S)734 and 743. Any other elections must be approved by the Management Committee.

(d) The Partnership shall endeavor to minimize its tax obligations by, without limitation, seeking (1) to obtain the maximum available property tax abatements, either full or partial, from the relevant taxing jurisdictions in connection with acquiring the Site and constructing and operating the Facility, and (2) to minimize applicable sales and use taxes in connection with the acquisition and use of the Site and the machinery and equipment of the Facility.

9.6 Tax Matters Partner. (a) The Operator is designated "TMP" as defined in the Internal Revenue Code 26 U.S.C.A. (S)6231(a) (7). In the event the Operator is not a Partner, the Management Committee will designate a new TMP. In the event of any change in the TMP, the party serving as TMP for a given taxable year shall continue as TMP with respect to all matters concerning such year. The TMP and the Partners shall use their best

efforts to comply with responsibilities outlined in this Section and in the Internal Revenue Code 26 U.S.C.A. (S)(S)6222 through 6233 and 6050K (including any Treasury Regulations promulgated thereunder) and in doing so shall incur no liability to any other party. Notwithstanding the TMP's obligation to use its best efforts in the fulfillment of its responsibilities, the TMP shall not be required to incur any expenses for the preparation for, or pursuance of, administrative or judicial proceedings, unless the Partners agree on a method for sharing such expenses.

(b) The Partners shall furnish the TMP, within two weeks from the receipt of the TMP's request therefor, with such information (including information specified in the Internal Revenue Code 26 U.S.C.A. (S)(S)6230(e) and 6050K) as the TMP may reasonably request to permit it to provide the Internal Revenue Service with sufficient information for purposes of the Internal Revenue Code 26 U.S.C.A. (S)(S)6230(e) and 6050K.

(c) The TMP shall not agree to any extension of the statute of limitations for making assessments on behalf of any Partner without first obtaining the written consent of the Partner. The TMP shall not bind any other Partner to a settlement agreement in tax audits without obtaining the written concurrence of such Partner.

Any other Partner who enters into a settlement agreement with the Secretary of the Treasury with respect to the partnership items, as defined by the Internal Revenue Code 26 U.S.C.A. (S)6231(a) (3), shall notify the other Partners of such settlement agreement and its terms within thirty (30) days from the date of settlement.

(d) If any Partner intends to file a notice of inconsistent treatment under the Internal Revenue Code 26 U.S.C.A. (S)6222(b), such Partner shall, prior to the filing of such notice, notify the TMP of such intent and the manner in which the Partner's intended treatment of a partnership item is (or may be) inconsistent with the treatment of that item by the Partnership. Within one week of receipt the TMP shall remit copies of such notification to the other Partners. If an inconsistency notice is filed solely because of a

Partner not having a Schedule K-1 in time for filing of its income tax return, the TMP need not be notified.

(e) No Partner shall file a request pursuant to the Internal Revenue Code 26 U.S.C.A. (S)6227 for an administrative adjustment of partnership items for any Partnership taxable year without first notifying all other Partners. If all other Partners agree with the requested adjustment, the TMP shall file the request for administrative adjustment on behalf of the Partnership. If unanimous consent is not obtained within thirty (30) days from such notice, or within the period required to timely file the request for administrative adjustment, if shorter, any Partner, or the TMP, may file a request for administrative adjustment on its own behalf.

(f) Any Partner intending to file a petition under the Internal Revenue Code 26 U.S.C.A. (S)(S)6226, 6228, or any other Internal Revenue Code section with respect to any Partnership item, or other tax matters involving the Partnership, shall notify the other Partners, prior to such filing, of the nature of the contemplated proceeding. In the case where the TMP is the party intending to file such petition, such notice shall be given within a reasonable time to allow the other Partners to participate in the choosing of the forum in which such petition will be filed. If the Partners do not agree on the appropriate forum, then the appropriate forum shall be decided by majority vote. Each Partner shall have a vote in accordance with its percentage interest in the Partnership for the year under audit. If a majority cannot agree, the TMP shall choose the forum. If a Partner intends to seek review of any court decision rendered as a result of such a proceeding, such Partner shall notify the other Partners prior to seeking such review.

ARTICLE 10. TRANSFERS OF PARTNERSHIP INTERESTS

10.1 General Prohibition. Except as provided in the remainder of this Article 10 or Section 11.2(a) (ii) hereof no Partner shall sell, assign, transfer, pledge or in any other manner dispose of or encumber, whether voluntarily or by operation of law, all or any portion of its Partnership Interest or any other interest it may have in or under this

Agreement, without the prior written consent (and on such terms and conditions as may be contained therein) of the remaining Partners. The Partners agree that if any one of them makes a sale or assignment of its Partnership Interest under this Agreement (including an assignment under Section 10.3), such sale or assignment will be structured, if possible, so as not to cause a termination of this Partnership under the Internal Revenue Code 26 U.S.C.A. (S)708(1)(B).

10.2 Right of First Refusal. At any time after the later to occur of three (3) years following Start-Up or the date final repayment of the Financing is made by or on behalf of the Partnership, a Partner (the "Offeror") desiring to transfer its entire Partnership Interest (the "Offered Interest") shall so notify the remaining Partners (the "Offerees"), whereupon all the Partners shall confer to determine whether mutually acceptable terms and conditions for the purchase of the Offered Interest by the Offerees can be reached. If no such agreement is reached within sixty (60) days of such notice to the Offerees, then the Offeror may seek to locate a third party interested in acquiring the Offered Interest. The Offeror may then transfer the Offered Interest to such a third party (the "Third Party") only if it first gives the Offerees the option to purchase the same, upon the following terms and conditions:

(a) The Offeror shall, by written notice sent to each of the Offerees, disclose all relevant terms of the proposed transfer of the Offered Interest to the Third Party (the "Offer") and offer to sell the Offered Interest to the Offerees at the price and according to the terms specified in the Offer. The Offeror shall also promptly provide such other information about the Offer, including a copy of the Offer, as the Offerees may reasonably require in order to evaluate the Offer.

(b) The Offerees then shall have the option to acquire the entire Offered Interest by each electing to purchase such proportion of the Offered Interest as such Offeree's current Partnership Interest bears to the total Partnership Interests currently owned by all of the Offerees. Such purchase shall be based upon the price and terms set

forth the Offer, and such election by each Offeree shall be made in writing within thirty (30) days after receipt of the Offer.

(c) If any Offeree fails to elect to purchase its proportion of the Offered Interest as permitted in (b) above, such Offeree shall be deemed to have waived its right of first refusal thereunder and the Offeror shall promptly notify the remaining Offeree of such waiver, whereupon the remaining Offeree shall have an additional thirty (30) days in which to notify the Offeror in writing as to whether or not it will purchase all of the Offered Interest, based upon the price and terms set forth in the Offer.

(d) If there is no purchase of the Offered Interest pursuant to subsection (b) or (c) above, as applicable, the Offeror shall, for a period of sixty (60) days following expiration of the last applicable purchase period therein, be free to sell the Offered Interest to the Third Party; provided that (1) the selling price shall be not less than, and the remaining terms shall be not more favorable to the Third Party than, those set forth in the Offer, and (2) the Third Party, prior to such purchase, agrees in writing to be bound by the terms and conditions of this Agreement and the Venture Participation Agreement.

10.3 Assignment to Subsidiaries, Notwithstanding any contrary provision herein, a Partner may assign or otherwise transfer its entire Partnership Interest without the consent required by Section 10.1 or the right of first refusal required by Section 10.2 above if the assignment or transfer is to another Subsidiary of such Partner's Party or if it occurs by reason of the merger or consolidation of such Partner with another Subsidiary of such Partner's Party. The transferee or assignee Subsidiary or surviving Subsidiary shall be capitalized in a manner substantially equal to or better than the transferor or assignor Subsidiary or the non-surviving Subsidiary. Any assignee or transferee permitted by the foregoing shall be required, in addition to any other conditions stated in any such consent, to execute and deliver to the remaining Partners a written agreement whereby it assumes all rights and responsibilities of the assignor or transferor under this Agreement and such assignor or transferor (except where it ceases to exist due to a permitted merger or consolidation as aforesaid) shall remain fully liable and obligated for all of its

responsibilities hereunder notwithstanding such assignment or transfer. Any assignment or other transfer in violation of the foregoing shall be void.

ARTICLE 11. DEFAULT

11.1 Defined. Any one of the following events shall constitute a "default" by a Partner:

(a) the failure by a Partner to timely make a required capital contribution, which failure is not completely cured within five (5) days of written notice thereof from any remaining Partner;

(b) the breach by a Partner of any other material term or condition of this Agreement, followed by a failure by such Partner to cure such breach within fifteen (15) days of written notice thereof from any remaining Partner;

(c) the making of an assignment by a Partner for the benefit of its creditors or the appointment of a receiver or trustee for all or a part of such Partner's property; and

(d) the filing of a petition by or against a Partner for its reorganization or for an arrangement under any bankruptcy law or other law, provided that said Partner shall have sixty (60) days in which to discharge such proceedings if the same are involuntarily brought.

11.2 Remedies of Non-Defaulting Partner(s). (a) In the event of a default by any Partner, the non-defaulting Partner(s) shall, upon notice to the defaulting Partner, have the following rights, exercisable pursuant to (b) below:

(i) if such default is of a monetary nature, to cure the same by advancing the necessary funds, on a proportional basis among the non-defaulting Partners unless otherwise agreed by them, and to recover any such amounts advanced, plus liquidated

damages in an amount equal to two (2) times the amount of the funds advanced, plus interest thereon at a rate equal to six percent (6%) over the prevailing prime rate of Chemical Bank. but not to exceed the maximum annual rate allowable at law, from all distributions otherwise payable to such defaulting Partner by the Partnership pursuant to Section 4.2;

(ii) to require the defaulting Partner to sell its Partnership Interest to the non-defaulting Partner(s) within a period of ninety (90) days from such notice unless otherwise agreed by the Partners, for the fair market value of such Partnership Interest agreed to by the Partners within fifteen (15) days, or, in the event that the Partners fail to so agree, the fair market value for such Partnership Interest determined by a nationally recognized independent consulting firm selected by the non-defaulting Partners (the "Appraiser"). The Appraiser shall be given access to all information pertaining to the Partnership as it deems relevant to such determination of fair market value. Any amount owed by the defaulting Partner to the Partnership, plus liquidated damages in an amount equal to two (2) times such amount, plus the costs of the Appraiser, if any, shall be paid by the defaulting Partner to the Partnership upon closing of the sale and, at the option of the non-defaulting Partner(s), may be deducted from the sale price otherwise payable to the defaulting Partner hereunder; or

(iii) to cause the Partnership to be dissolved pursuant to Article 12.

(b) If there is more than one (1) non-defaulting Partner, said non-defaulting Partners shall try in good faith to agree upon selection of one of the remedies set forth in (a) above, if any, to be exercised following the defaulting Partner's default. Failing such an agreement, the selection of remedy by the non-defaulting Partners shall be made as follows:

(i) if the Partnership Interests of the non-defaulting Partners are not the same, the non-defaulting Partner owning the greater Partnership Interest shall select the remedy, and

(ii) if the Partnership Interests of the non-defaulting Partners are the same, the selection of remedy shall be controlled by the non-defaulting Partner selecting the remedy at (a)(i) above, but if neither such Partner selects (a)(i), then a selection of (a) (ii) shall control, but if neither such Partner selects (a) (ii), then a selection of (a) (iii) shall control.

In the event either of the remedies described in (a)(i) or (a) (ii) above is selected other than by agreement of both non-defaulting Partners, the non-defaulting Partner which does not control the selection may elect not to participate in either the cure (and related recovery) of the default pursuant to (a)(i) or the purchase of the defaulting Partner's Partnership Interest pursuant to (a) (ii) (in which case such non-defaulting Partner shall not be entitled to participate in selection of the Appraiser referenced in (a) (ii)), as the case may be.

11.3 Suspension of Rights-Upon Default. For so long as any Partner remains in default as specified in Section 11.1 above, such Partner's membership rights on the Management Committee shall be suspended and the applicable quorum and voting requirements set forth in this Agreement shall be deemed revised accordingly.

ARTICLE 12. DISSOLUTION AND WINDING UP OF THE PARTNERSHIP

12.1 Dissolution, The Partnership shall remain in full force and effect until expiration of the term stated in Section 2.5, unless sooner dissolved as follows:

(a) as permitted by Section 11.2(a) (iii) above;

(b) by written agreement of all Partners continuing to own Partnership Interests; or

(c) upon termination of the Venture Participation Agreement pursuant to Section 9.2 thereof.

12.2 Winding Up. Upon dissolution of the Partnership as provided in Section 12.1, the Partnership shall be wound up and liquidated, as rapidly as business circumstances permit, in accordance with the following:

(a) The authority to wind up the Partnership's affairs and to supervise its liquidation shall be exercised jointly by the members of the Management Committee by majority vote (except that if any member(s) of the defaulting Partner(s) is disqualified from voting, the unanimous vote of the members of the non-defaulting Partner(s) shall be required), all being hereafter referred to collectively and singly as the "Liquidator".

(b) The Liquidator shall ensure that an accounting is taken as soon as practicable of all property, assets and liabilities of the Partnership.

(c) Upon demand by the Liquidator, each Partner shall pay to the Partnership all amounts owed by it to the Partnership together with any contributions required by law or this Agreement to be made by such Partner for the payment of liabilities (including any liability to restore a negative capital account balance under Section 3.6).

(d) The assets and property of the Partnership, or the proceeds of any sale thereof, together with any amounts received by the Partnership pursuant to subsection (c) above. shall be applied by the Liquidator in the following order:

(i) to discharge all debts and liabilities of the Partnership (including those arising under the Isobutane Supply Agreements, MTBE Off-Take Agreement, Plant Operating Agreement Project Services Agreement, Support Services Agreement, or for liabilities under environmental laws or regulations), other than those to Partners, the expenses of liquidation, and the establishment of any reserves necessary or advisable to meet all reasonably anticipated liabilities;

(ii) to pay each Partner for obligations or liabilities than for capital and profits);

(iii) to return to each Partner the amount of its capital contribution; and

(iv) to divide any surplus or remaining assets among the Partners in proportion to their respective capital account balances, net of any amounts due the Partnership.

12.3 Final Audit. The Partners shall, if at such time they determine such action shall be advisable and proper, employ a nationally recognized firm of certified public accountants to make a complete and final audit of the books, records and accounts of the Partnership as herein provided, and all final adjustments between the Partners shall be made on the basis of such certified audit. In the event the Partners disagree about a choice of certified public accountants, the audit shall be performed by the then current outside auditors of the Partnership and shall be accepted by the Partners.

ARTICLE 13. ALTERNATIVE DISPUTE RESOLUTION

The Partners agree to be bound by the Alternative Dispute Resolution commitments set forth in Article 10 of the Venture Participation Agreement, as if each said Partner is a "Partner" for purposes thereof.

ARTICLE 14. SECRECY

The Partners agree to be bound by the confidentiality, restricted disclosure and limited use commitments set forth in Article 7 of the Venture Participation Agreement as if each said Partner is a "Party" for purposes thereof.

ARTICLE 15. INDEMNIFICATION

Unless otherwise provided for in the Venture Participation Agreement or in any agreement between such Partner and the Partnership, each Partner shall be required to indemnify, hold harmless and defend the other Partners and their Affiliates, as the case may

be, with respect to any claims, liabilities, damages and losses resulting from its own gross negligence or willful misconduct. Additionally, each Partner shall indemnify, hold harmless and defend the other Partners and their Affiliates, as the case may be, with respect to liabilities for debt which are, by agreement of such Partner, to be borne severally by such Partner and not jointly by all the Partners or the Partnership, including any liabilities arising out of contracts between such Partner or its Affiliates and third parties. Except for the aforementioned situations where a Partner is required to indemnify, hold harmless and defend the others, unless otherwise unanimously agreed by the Partners, each Partner shall indemnify, hold harmless and defend the others and their Affiliates, as the case may be, in proportion to its Partnership Interest, from and against any and all claims, liabilities, damages and losses, including attorney's fees, imposed upon such other Partners and Affiliates and in any way arising out of or relating to the Partnership, including but not limited to those arising from any breach of contract by the Partnership, or any transactions contemplated by this Agreement or undertaken by the Partnership.

ARTICLE 16. MISCELLANEOUS

16.1 Relationship, The relationship among the Partners shall be limited to the performance of the transactions contemplated by this Agreement and the Venture Participation Agreement in accordance with the terms of such agreement(s). The relationship set forth in this Agreement shall be construed and deemed to be a partnership under the laws of the State of Texas created for the sole purpose of carrying out the transactions contemplated hereby and in the Venture Participation Agreement. Nothing herein shall be construed to authorize any Partner to act as general agent of or for the other Partners.

16.2 Rights in Partnership Property. All assets and property of the Partnership shall be held in the name of the Partnership. All property owned by the Partnership, whether real or personal, tangible or intangible, shall be owned by the Partnership as an entity.

16.3 Entire Agreement. This Agreement along with the Venture Participation Agreement, shall constitute the entire agreement among the Partners with respect to the subject matter hereof, and shall supersede all prior agreements or understandings among the Partners with respect thereto and no amendment or modification of any provision of this Agreement shall be effective unless in writing and signed by ail Partners. In the event of any inconsistency between the provisions of the Venture Participation Agreement or this Agreement, the provisions of the Venture Participation Agreement shall control.

16.4 Notices. All notices, requests, demands, directions and other communications provided for herein shall be in writing and shall be delivered in person or sent by overnight courier or certified or registered mail, postage prepaid, to the applicable Partner or Partners at the addresses indicated below:

(a) Sun Partner:

for personal delivery:

Sun BEF, Inc.
1801 Market Street
Philadelphia, PA 19103
Attn: President
Telex: RCA 244941
Facsimile: (215) 246-8354

With Copy to: Law Department
Facsimile: (215) 977-6878

for mail:

Sun BEF, Inc.
1801 Market Street
Philadelphia, PA 19103
Attn: President

(b) LEC Partner:

for personal delivery:

Liquid Energy Fuels Corporation
2001 Timberloch Place
The Woodlands, TX 77380
Attn: Sr. Vice President
Telex: 775889 MEDCWDLS
Facsimile: (713) 377-6195

for mail:

Liquid Energy Fuels Corporation
P.O. Box 4000
The Woodlands, TX 77387
Attn: Sr. Vice President

(c) Enterprise Partner:

for personal delivery:	for mail:
Enterprise Products Company 2727 North Loop West Houston, TX 77210 Attn: President Telex: 3734597 Facsimile: (713) 880-6570	Enterprise Products Company P. 0. Box 4324 Houston, TX 77210 Attn: President

or at such other address as shall be designated by any Partner in a written notice to the remaining Partners complying with the terms of this Section 16.4. Notices shall be deemed to have been given upon receipt or refusal of receipt.

16.5 Waiver. The failure of any Partner to enforce any right or provision hereof shall not be considered a waiver by such Partner of its right to enforce such right or provision in the future.

16.6 LAWS THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. IN IMPLEMENTING THIS AGREEMENT AND IN CARRYING ON THE BUSINESS OF THE PARTNERSHIP, THE PARTNERS SHALL COMPLY WITH ALL APPLICABLE LAWS, RULES AND REGULATIONS, AND NO PROVISION(S) OF THIS AGREEMENT SHALL BE CONSTRUED TO PROVIDE OTHERWISE.

16.7 Severablity. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

16.8 Survival. The following provisions shall survive any termination of this Agreement: Section 5.14 and Articles 12, 13, 14, 15 and 16.

16.9 Captions. Captions contained in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

16.10 Construction. Terms stated in the masculine gender shall be construed, as appropriate in context, as applying to the neuter gender, and vice versa, and terms stated in either such gender shall be construed, as appropriate in context, as applying to the feminine gender. Terms stated in the singular shall be construed, as appropriate in context, as the plural, and vice versa.

16.11 Counterparts. This Agreement may be executed in several separate counterparts each of which shall be an original and all of which taken together shall constitute one and the same agreement.

16.12 Binding Effect This Agreement shall be binding upon and inure to the benefit of the Partners and their permitted successors and assigns, but shall not otherwise inure to the benefit of any other third party.

IN WITNESS WHEREOF, the Partners hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized.

SUN BEF, INC.

By: /s/ John A. Ruddy, Jr.

Name Printed: John A. Ruddy, Jr.

Title: Vice President

ENTERPRISE PRODUCTS COMPANY

By: /s/ Charles J. Roth

Name Printed: Charles J. Roth

Title: Executive Vice President

LIQUID ENERGY FUELS CORPORATION

By: /s/ Carl E. Springer

Name Printed: Carl E. Springer

Title: Senior Vice President

EXHIBIT 10.6

AMENDED AND RESTATED
MTBE OFF-TAKE AGREEMENT

AMENDED AND RESTATED AGREEMENT, dated as of August 16, 1995 but effective October 1, 1994 by and between Belvieu Environmental Fuels, a Texas general partnership ("BEF") and Sun Company, Inc. (R&M), a Pennsylvania corporation ("SUN"). BEF and SUN are sometimes referred to herein individually as a "Party" and collectively as the "Parties".

WITNESSETH

Whereas, BEF is a partnership formed among Liquid Energy Fuels Corporation, Enterprise Products Company and SUN BEF, Inc. (collectively, the "Partners") pursuant to the terms of a Partnership Agreement dated May 1, 1992 (as the same may be amended, supplemented or otherwise modified from time to time, the "Partnership Agreement");

Whereas, SUN BEF, Inc. is a wholly owned subsidiary of SUN;

Whereas, pursuant to the Partnership Agreement, BEF has constructed, owns, and is operating a dehydrogenation facility for the production of MTBE;

Whereas, BEF and SUN entered into an MTBE Off-Take Agreement, dated as of May 1, 1992, and amended by an Amendment to MTBE Off-Take Agreement effective October 7, 1992 ("First Amendment") and a Second Amendment to MTBE Off-Take Agreement effective April 15, 1994 ("Second Amendment") pursuant to the terms of which BEF agreed to sell and SUN agreed to purchase all of the MTBE produced at such facility (as amended, the "Existing Agreement");

Whereas, BEF and SUN have agreed to certain further amendments to the Existing Agreement and have agreed to amend and restate the Existing Agreement to

include all of the modifications set forth in the First Amendment and Second Amendment as well as such further amendments agreed to herein;

Now, Therefore, in consideration of the foregoing and the mutual and dependent agreements hereinafter set forth, the Parties agree to amend and restate the Existing Agreement in this Amended and Restated MTBE Off-Take Agreement (as the same may be further amended, supplemented or otherwise modified from time to time, this "Agreement") as follows:

ARTICLE I - DEFINITIONS

1.1 "Affiliate" means, as to the Party specified, an entity that directly, or indirectly through one or more intermediaries, controls, is controlled by, and is under common control with, such Party.

1.1A "Bank Loan Agreement" means the Amended and Restated Credit Agreement among BEF, Chemical Bank, as administrative agent, The Bank of Nova Scotia and The Bank of Tokyo Trust Company, as co-agents, and the other financial institutions from time to time parties thereto, as further amended, supplemented or otherwise modified from time to time.

1.1B "Bank Loan Documents" means the Bank Loan Agreement and each of the Loan Documents (as defined in the Bank Loan Agreement), as each may be amended, supplemented or otherwise modified from time to time.

1.1C "Bank Obligations" means the unpaid principal, interest and all other amounts owing by BEF under or in connection with any of the Bank Loan Documents, whether on account of principal, interest, fees or other monetary obligations owing pursuant to subsection 2.11, 2.12, 2.13, 2.14, 9.5(a), 9.5(b) or 9.5(d) of the Bank Loan Agreement or Section 11 of the Assignment and Security Agreement (it being understood that Bank Obligations shall exclude contingent liabilities).

1.2 "Barrel" shall consist of forty-two (42) U.S. gallons of 231 cubic inches each at 60 degrees F.

1.3 "Floor Production" shall be the first 193,450,000 gallons of MTBE produced by the Facility during each of the Permanent Financing Years.

1.4 "Floor Production Revenues" means for any Month the amount determined by multiplying that Month's Purchase Price (determined in accordance with Article VI 6.2(b)(i) of this Agreement) times that Month's Floor Production.

1.5 "Contract Year" means each annual period beginning on June 1 and ending on the following May 3l. The first Contract Year shall begin on June 1, 1995.

1.5A "Conversion Date" shall have the meaning assigned thereto in the Bank Loan Agreement.

1.6 "Contract Quantity" means the actual quantity of Product, stated in gallons, purchased by and delivered to SUN under this Agreement in any Calendar Month.

1.6A "Contract Quarter" shall mean a three Month period beginning with June 1, September 1, December 1 or March 1 of any Contract Year.

1.7 "Delivery Point" means, as to product, the point of tie-in at Mont Belvieu, Texas, between the Facility and a pipeline designated by SUN at Mont Belvieu, Texas.

1.8 "Non-Floor Production" shall be all volumes, stated in gallons, of MTBE actually produced by the Facility in excess of Floor Production during each of the Permanent Financing Years.

1.8A "Excess Volume" shall mean, for any Contract Quarter. the volume of Product delivered during such Contract Quarter, if any, in excess of the product of 588,000 gallons times the number of days in such Contract Quarter.

1.9 "Facility" means the isobutane dehydrogenation and MTBE production facility, having a minimum annual design production capacity of 193,450,000 gallons of MTBE, which BEF shall cause to be engineered and constructed at Mont Belvieu, Texas.

1.10 "Facility Shutdown" shall mean the halting of operation of the Facility.

1.11 "Force Majeure" shall have the meaning set forth in Section 9.1 hereof.

1.12 "Initial Deliveries" shall mean the date on which Product produced at the Facility is first available for sale and delivery in minimum and commercially transportable quantities of at least 25,000 barrels.

1.13 "Mechanical Completion" means that date, determined pursuant to the Construction Agreements, as defined in the Partnership Agreement, when the Facility is mechanically and structurally complete such that commissioning of the Facility may be commenced in a safe and orderly manner.

1.14 "Month" or "Calendar Month" shall mean a period of time commencing at 7:00 a.m., Houston, Texas, time, on the first day of any calendar Month and ending at 7:00 a.m., Houston, Texas, time, on the first day of the next succeeding calendar Month.

1.15 "Monthly Floor Price Revenues" means for any Month the amount determined by multiplying that Month's Floor Production times that Month's Monthly Floor Price (determined in accordance with Exhibit A attached hereto).

1.16 "Monthly Market Price Revenues" means for any Month the amount determined by multiplying that Month's Market Price (determined in accordance with Section 6.3) times that Month's Floor Production.

1.17 "Official Meter" means a turbine meter installed and operated in accordance with API Standard 2534 "Measurement of Liquid Hydrocarbons by Turbine Meter System" and is a mutually acceptable measuring device for quantities of Product delivered by pipeline hereunder.

1.18 "Partnership" means the general partnership between the Partners created by and pursuant to Article 2 of the Partnership Agreement.

1.19 "Permanent Financing" shall mean (i) the Term Loans to be made on the Conversion Date pursuant to the Bank Loan Agreement (in an aggregate principal amount not exceeding $176,000,000.00) and (ii) any other initial long-term financing incurred by the Partnership in substitution for the Term Loans referred to above, including in the case of clauses (i) and (ii) above, any total or partial extensions, renewals, replacements or refinancings thereof. As they relate to the Term Loans and where used herein, the following phrases shall have the meanings set forth below:

(a) "date on which the term of Permanent Financing begins" and similar phrases relating to the commencement of the Permanent Financing shall mean the Conversion Date,

(b) "end of the period of Permanent Financing" and similar phrases relating to the repayment of the Permanent Financing shall mean the date on which all of the Bank Obligations shall have been indefeasibly paid in full and in cash, and

(c) "term of or period of Permanent Financing", any "period during which any amount is outstanding on the Permanent Financing" and similar

phrases shall mean the period from the Conversion Date to the date on which all of the Bank Obligations shall have been indefeasibly paid in full and in cash.

1.20 "Permanent Financing Year" means (until the end of the period of Permanent Financing) each annual period beginning June 1 and ending on the following May 31. The first Permanent Financing Year shall begin on June 1, 1995.

1.20A "Posted Spot Price" shall be, for any Month, the arithmetic monthly average of the arithmetic daily average of high and low prices, stated in cents per gallon, for spot MTBE for U. S. Gulf Coast delivery during such Month as reported by Platts Oilgram Price Report or other mutually agreeable service.

1.21 "Product" or "MTBE" means methyl tertiary butyl ether meeting the minimum specifications set forth in Exhibit B attached hereto, as the same may be revised from time to time by written agreement of the Parties. "Off-Spec Product" means methyl tertiary butyl ether which does not meet the minimum specifications set forth in Exhibit B attached hereto, as the same may be revised from time to time by written agreement of the Parties.

1.22 "Production Shortfall" means the Facility's inability to deliver to SUN an average minimum daily quantity of 424,000 gallons over a period of at least ninety (90) consecutive days.

1.23 "Start-Up" means the last day of the Calendar Month in which production, over a consecutive thirty (30) day period, first equals or exceeds an average of 424,000 gallons of MTBE per day. In no event, however, shall Start-Up be later than the first day of the Month following the date that is four (4) months after Mechanical Completion.

1.24 "Term Loans" shall have the same meaning as set forth in subsection 2.1 of the Bank Loan Agreement and shall include any total or partial extensions, renewals, replacements or refinancings thereof.

ARTICLE II - SUPPLY OF PRODUCT

During the term hereof, BEF agrees to sell and deliver, and SUN agrees to buy and accept delivery from BEF of all of the production of Product produced by the Facility, at prices determined under and in accordance with the other terms and conditions of this Agreement.

ARTICLE III - DETERMINATION OF QUANTITIES

3.1 BEF Quarterly Estimate. BEF will provide SUN, at least fifteen (15) days prior to the first day of each calendar quarter, with an estimate of its production of Product, by Month, for the next succeeding twelve (12) Month period. It is understood that such estimate is for the purpose of facilitating scheduling only and is not binding on either Party.

3.2 Monthly Quantities. BEF shall provide SUN in writing at least fifteen (15) days prior to the first day of each Month a schedule indicating the quantity of Product to be delivered by BEF in such Month.

3.3 Daily Quantities. Subject to Article IX, BEF shall make every reasonable effort to operate the Facility for delivery and SUN shall accept delivery of Product at an approximately even daily rate consistent with the monthly quantity scheduled under Section 3.2 above.

3.4 Determination of Contract Quantity. The actual quantity of Product delivered shall be measured at or near the Delivery Point by means of the Official Meter or any other mutually agreed upon method.

ARTICLE IV - DELIVERY

4.1 Generally. Product sold and purchased hereunder shall be delivered by pipeline to the Delivery Point. Title to and risk of loss of Product ordered hereunder shall pass from BEF to SUN as it passes the Delivery Point.

4.2 Measuring and Sampling Facilities. At no cost to SUN, BEF shall cause to be furnished and installed at a mutually acceptable location at the Facility, and shall operate and maintain, an Official Meter and meter proving (including adequate sampling) facilities to properly measure and sample Product to be delivered under this Agreement. Said measuring and sampling facilities shall remain the property and responsibility of BEF.

4.3 Inspection.

(a) All valves shall be inspected and all meters shall be inspected and proved twice monthly by BEF, at approximately fifteen (15) day intervals, and, if SUN elects, in the presence of SUN's representative. At the time of such inspection, all necessary adjustments and repairs shall be made.

(b) If, at any time, any of the measuring or testing equipment is found to be out of service, or registering inaccurately, in any percentage, it shall be adjusted as promptly as possible to read accurately, within the limits prescribed by the manufacturer of such equipment. If such equipment is out of service or inaccurate by an amount exceeding one quarter of one percent (0.25%) at a reading corresponding to the average rate of flow for the period since the last preceding regular test, the previous reading of such equipment shall be disregarded for any period definitely known or agreed upon, or if not so known or agreed upon, for a period of eight (8) days or one-half of the elapsed time since the last regular test, whichever is shorter. The quantity of Product delivered during such period shall be determined (i) by using the data recorded by any check measuring equipment, if installed and accurately registering; or (ii) by correcting the error if the percentage of error is ascertainable by

calibration, test or mathematical calculations: or (iii) if neither of such methods is feasible, by estimating the quantity delivered using the best available technique based upon the period when the equipment was registering accurately. No correction shall be made for recorded inaccuracies of one quarter of one percent (0.25%) or less.

(c) SUN and BEF shall have the right to inspect equipment installed or furnished by the other, and the charts and other measurement or testing data of the other, at all times during business hours: but the reading, calibration and adjustment of such equipment and changing of charts shall be the responsibility of the Party installing and furnishing the equipment. Each Party shall preserve all original test data, charts and other similar records or microfilm thereof, in such Party's possession, for a period of at least twenty-four (24) Months.

4.4 Pipeline Construction and Pressure. At its sole expense, BEF will construct, maintain and operate, as a part of the Facility, a pipeline for tendering Product to SUN at the Delivery Point at a flow rate of approximately one thousand barrels per hour (1,000 BPH) and pressure of approximately five hundred fifty pounds per square inch gauge (550 PSIG). The Maximum Allowable Operating Pressure (MAOP) is 1,000 pounds per square inch gauge (PSIG). Under present operating conditions, the pipeline pressure will normally range between 300 PSIG and 550 PSIG.

4.5 Delivery Pressure. BEF shall deliver Product sold and purchased hereunder to SUN at the Delivery Point at the pressure specified by SUN so long as that pressure is within the pipeline's normal pressure ranges and results in normal flow rate specified above in Section 4.4. BEF will give SUN prompt notice as soon as possible of planned increases above 550 PSIG and above 1,000 BPH.

ARTICLE V - DETERMINATION OF PRODUCT QUALITY

5.1 Determination of Product Quality.

(a) With respect to all deliveries, BEF, at its expense, will arrange for three (3) still tank composite samples to be taken and one sample will be tested and certified in accordance with any pipeline transportation requirements prior to shipment. Samples will be retained ten (10) days and discarded unless SUN requests analysis to determine if the Product delivered met the minimum specifications set forth in Exhibit B.

(b) At the request of SUN under subsection (a) above, one (1) of the two (2) remaining samples taken shall be delivered to SUN or its designee with the remaining sample being retained by BEF. If SUN performs its own analysis and reports a difference between its analysis and BEF's analysis and such difference cannot be reconciled within one (1) week of such report by SUN, the remaining sample taken and retained by BEF shall be submitted to a competent outside laboratory agreeable to both Parties for referee analysis. The cost of such independent analysis shall be borne equally by each Party and the results of such analysis shall be binding on the Parties.

5.2 Quality Adjustments. The benefit or cost of any quality adjustments to comply with the quality permitted for shipping Product by a pipeline transportation system shall be for the account of BEF. No quality adjustment will be permitted if Product is segregated at Sun's request for the express purpose of maintaining the Product's quality. Any additional cost of such segregation would be for the account of SUN.

5.3 Off-Spec Product. Notwithstanding any other provision to the contrary contained herein, BEF agrees to sell and deliver, and SUN agrees to buy and accept delivery from BEF in accordance with the terms and conditions of this Agreement, all Off-Spec Product produced by the Facility; provided, however, such Off-Spec Product must be acceptable to SUN's commercial transporter, and the price payable for such Off-Spec Product shall be determined in accordance with Section 6.10 below.

ARTICLE VI - PURCHASE PRICE AND PAYMENT

6.1 The amount due for Product delivered each Month pursuant to this Agreement shall equal the Contract Quantity delivered during such Month multiplied by the appropriate Purchase Price determined in accordance with 6.2 below. During certain periods the Contract Quantity will be divided into Floor and Non-Floor Production in order to apply the appropriate Purchase Price.

6.2 The Purchase Price for MTBE delivered each Month pursuant to this Agreement shall be as follows:

(a) During the period prior to the first Contract Year, the Purchase Price for volumes of MTBE delivered for such Month shall be the Toll Fee Price (defined in Section 6.3(c)) for such Month; provided, however, the 40.3 cents per gallon fixed component of such Toll Fee Price shall be reduced to 27.5 cents per gallon for the volume of MTBE delivered during such Months prior to October 1, 1994.

(b) During the first five Contract Years or, the period beginning with the first Month of the first Contract Year and ending with the last Month during which any amount is outstanding on the Permanent Financing whichever ends later:

(i) The Purchase Price for volumes of MTBE delivered for such Month which are considered Floor Production shall be the amount, stated in cents per gallon (rounded to the nearest hundredth of a cent - xx.xx cents), that results from the following computation:

$$\text{PURCHASE PRICE} = \frac{V - W}{Z}$$

Wherein:

(V) means the greater of the year-to-date sum (for the Permanent Financing Year which includes the Month for which the Purchase Price is being determined), through the Month for which the Purchase Price is being determined, of i) the Monthly Floor Price Revenues or ii) the Monthly Market Price Revenues as increased by any Excess Volume Adjustments in favor of BEF and decreased by any Excess Volume Adjustments in favor of SUN (such Excess Volume Adjustments being determined in accordance with Section 6.11 below).

(W) means the year-to-date sum (for the Permanent Financing Year which includes the Month for which the Purchase Price is being determined), through the Month preceding the Month for which the Purchase Price is being determined, of the Floor Production Revenues.

(Z) means the Floor Production for such Month.

(ii) The Purchase Price for volumes of MTBE delivered for such Month which are considered Non-Floor Production shall be the amount, stated in cents per gallon (rounded to the nearest hundredth of a cent - xx.xx cents), that results from x) multiplying the Market Price for such Month times such Non-Floor Production to determine Non-Floor Production revenues, y) increasing such revenues by any Excess Volume Adjustment in favor of BEF or decreasing such revenues by any Excess Volume Adjustment in favor of SUN (such Excess Volume Adjustment for such Month being determined in accordance with Section 6.11 below) and z) dividing such adjusted revenues by the Non-Floor Production for such Month.

(c) During any period subsequent to the fifth Contract Year or subsequent to the end of the period of Permanent Financing whichever ends later, the Purchase Price for volumes of MTBE delivered for such Month shall be the Negotiated Market Price for such Month (as defined in Section 6.5 below).

6.3 The Market Price as used in Section 6.2 above shall be an amount stated in cents per gallon as follows:

(a) For the first and second Contract Years - the Toll Fee Price (as defined in Section 6.3(c) below); provided, however, the 40.3 cents per gallon fixed component of such Toll Fee Price shall be reduced to 35.3 cents per gallon for the volume of MTBE delivered during such Months; and

(b) For the period subsequent to the second Contract Year but no longer than the end of the period of Permanent Financing - the Toll Fee Price or, if SUN so elects and notifies BEF in writing prior to sixty days before the beginning of each such Contract Year, the Market Price for such Contract Year shall be the U. S. Gulf Coast Posted Contract Price as defined in Section 6.3(d) below;

(c) For any Month, the Toll Fee Price shall be the amount, stated in cents per gallon (rounded to the nearest hundredth of a cent -- xx.xx cents), determined in the following manner:

TOLL FEE PRICE = A + (0.34 x B) + (12 x C) + 40.3

Wherein,

(A) is the Normal Butane Posted Price for such Month, as defined in Section 6.4(a) below, and

(B) is the Methanol Price for such Month, as defined in Section 6.4(b) below, and

(C) is a fraction, the numerator of which is the figure for the classification "All Items for All Urban Consumers" for Houston, Texas, as published by the U. S. Department of Labor, Bureau of Statistics for the most recent Month of June available at the date of billing and the denominator of which is the like figure for the Month of June, 1992.

(d) For any Month, the U. S. Gulf Coast Posted Contract Price shall be the average price, stated in cents per gallon, posted during such Month by an appropriate and reliable publication (i.e. OPIS, Platts or other comparable source) as determined by agreement of SUN and BEF no later than sixty (60) days prior to the first day of the third Contract Year.

6.4 (a) For purposes of the Toll Fee Price described in Section 6.3 above, the Normal Butane Posted Price shall be, for any Month, the average, stated in cents per gallon (rounded to the nearest hundredth of a cent - xx.xx cents), of the daily average high and low prices for spot normal butane at Mont Belvieu during such Month as reported by the Oil Price Information Service (OPIS) for non-TET Sourced Barrels.

(b) The Methanol Price for any Month shall be the amount, stated in cents per gallon (rounded to the nearest thousandth of a cent - xx.xxx cents), as determined by:

Methanol Price = the average purchase price (delivered to U. S. Gulf Coast) paid by BEF to acquire methanol consumed in the operation of the Facility for such Month.

Methanol consumed in the operation of the Facility shall include such volumes as are properly allocable under the LIFO inventory method.

6.5 The Negotiated Market Price described in Section 6.2 above, for any Month, shall be the price, stated in cents per gallon, determined in accordance with a mechanism to be negotiated in good faith by SUN and BEF no later than 120 days prior to the first day of the sixth (6th) Contract Year or 120 days prior to the end of the period of the Permanent Financing, whichever ends later. The mechanism so negotiated shall be designed to determine an appropriate market price that is reflective of the competitive market at that time for like-kind product of similar quality, quantity, delivery point and contract term and considering that a product location adjustment to the U.S. Gulf Coast, if applicable, has already been provided pursuant to Article VII. Such mechanism shall determine a price for MTBE before any deduction for marketing or other similar fees. In the event SUN and BEF cannot agree in writing to such mechanism prior to the date specified above, the mechanism shall be determined by arbitration in accordance with the provisions of Article XI of this Agreement. In the event a final decision of the arbitrators is not made prior to any period for which the Negotiated Market Price is applicable, then the U. S. Gulf Coast Posted Contract Price shall be utilized, during such period, as an interim price for the purpose of billing and payments hereunder and adjusted as appropriate within thirty (30) days after a final decision of the arbitrators is made.

6.6 On or before the first business day of each Calendar Month during the term of this Agreement, BEF shall advise SUN of BEF's forecast of the Purchase Price that will apply for such Calendar Month (the "Provisional Purchase Price"). As soon as possible after the end of each half Month, BEF shall submit to SUN its Provisional Invoice for Product delivered during such half Month with supporting documentation. Each such Provisional Invoice shall use the Provisional Purchase Price in effect for such calendar half Month. As soon as possible after the first day of each Month, but in no event later than twenty five (25) days, BEF shall submit to SUN its Adjusted Invoice for the preceding full Month. Such Adjusted Invoices shall use the Purchase Price in effect for the applicable Month and invoice or credit SUN for the difference in the amounts due for such Month using the Purchase Price and the amounts previously invoiced and paid using the Provisional Purchase Price.

6.7 SUN shall make payment of the amount due to BEF pursuant to this Article by wire transfer of U. S. Funds and in legal tender of the U.S.A. net ten (10) days from receipt of BEF's invoice, whether Provisional or Adjusted. To the extent any Adjusted Invoice shows a credit due SUN from BEF, BEF shall pay SUN the amount of such credit by wire transfer in legal tender of the U.S.A. net ten (10) days from issuance of such credit. Either Party may charge interest on amounts not paid when due at a rate equal to the lesser of the maximum legal rate in Texas or the rate publicly announced by Chemical Bank in New York, New York from time to time as its prime rate plus one percentage point (1%) from the date due until paid. In the event of any disagreement as to the quantity or quality of material delivered or received as stated on BEF's invoice, SUN shall have the right to withhold payment upon the portion of such invoice in dispute until the disagreement is resolved but shall pay promptly in the manner set forth above the non-disputed portion of such invoice. The Parties will use good faith efforts to resolve any remaining differences as promptly as possible.

6.8 In the event that (i) any payment for Floor Production to be made by SUN in accordance with the first sentence of paragraph 6.7 above is based on the sum of the Monthly Floor Price Revenues and, (ii) the sum of the Base Financing Levels (determined in accordance with Exhibit A attached) for the Months to date of such Permanent Financing Year (including the Month for which such payment is being made) exceeds such period's proportionate share of principal and interest payments on the Permanent Financing, then the amount of such excess (determined in 6.8(ii) above) shall not be due and payable at that time but deferred until the due date of the next succeeding invoice. In no event, however, shall such deferred amount be greater than the excess of (a) the sum of the Monthly Floor Price Revenues (determined in accordance with Exhibit A attached) for such period over (b) the sum of the monthly revenues for Floor Production that would result if the applicable Market Price were used for each Month of such period.

6.9 Except as otherwise expressly provided in Section 9.1, SUN agrees that during the Deferred Period its obligations to make all payments payable by it for Product

delivered to it in accordance with the terms of this Agreement are absolute and unconditional and are independent of its use or enjoyment of any Product or the performance by SUN of any of its obligations or the realization by SUN of the benefits sought by the transactions contemplated by this Agreement; and that during the Deferred Period, it will make all payments payable by it for such Product regardless of (a) any defense, claim, counterclaim, off-set, recoupment, abatement or other right existing or future (other than prepayments or other uncontested credits created by BEF in favor of SUN and arising in the ordinary course of business), which SUN may have against BEF or any other person; (b) any amendment, extension, supplement, acceleration, surrender, release, waiver, termination or modification of any indebtedness of BEF or any Affiliate thereof; (c) any inaccuracy of any representation, warranty (other than the warranty contained in Section 8.2) or statement made by or on behalf of BEF or any other person; or (d) the bankruptcy, insolvency, reorganization, liquidation, dissolution, winding-up, arrangement, composition, readjustment of debt or similar event with respect to BEF or any Affiliate thereof.

6.10 The amount due for Off-Spec Product delivered each Month pursuant to Section 5.3 above shall equal the quantity of such Off-Spec Product delivered during such Month multiplied by a price per gallon which reflects the price per gallon which would have been otherwise payable hereunder if such Off-Spec Product had met the minimum specifications set forth in Exhibit B, less a mutually acceptable discount reflecting the economic and market disadvantage suffered by SUN due solely to such Off-Spec Product's failure to meet such specifications.

6.11 In order to effectively price Excess Volume at the average Posted Spot Price, the Purchase Price computation performed pursuant to Section 6.2(b) above for the last Month of each Contract Quarter during the first five Contract Years, shall include an Excess Volume adjustment ("Excess Volume Adjustment"), in favor of SUN or BEF, as the case may be, determined by multiplying i) the Excess Volume for such Contract Quarter times ii) the difference per gallon, if any, between the average Market Price and the average Posted Spot Price for such Contract Quarter. If the average Posted

Spot Price exceeds the average Market Price for such Contract Quarter, the Excess Volume Adjustment will be in favor of BEF, while, if the average Market Price exceeds the average Posted Spot Price for such Contract Quarter, the Excess Volume Adjustment will be in favor of SUN. During any Contract Quarter that includes both Floor Production and Non-Floor Production the Excess Volume Adjustment shall be applied proportionately to Floor Production and Non-Floor Production based on the volume of Floor Production and Non-Floor Production during such Contract Quarter. Furthermore, if the last Month of any Contract Quarter includes only Non-Floor Production, a retroactive adjustment to the previously calculated Purchase Price shall be made for each Month of such Contract Quarter in order to apply proportionately such Contract Quarter's Excess Volume Adjustment based on the volume of Floor Production and Non-Floor Production during each Month of such Contract Quarter. The average Market Price and the average Posted Spot Price for such Contract Quarter shall be determined by dividing the sum of the Market Price for each Month of such Contract Quarter and the sum of the Posted Spot Price for each Month of such Contract Quarter, respectively, by three.

6.12 (a) For each Month of the third and fourth Contract Years there shall be due hereunder, in addition to the amount determined pursuant to Section 6.1 above, a Price Reallocation Adjustment equal to the Contract Quantity delivered during such Month multiplied by 3.0 cents per gallon; provided, however, such Price Reallocation Adjustment shall only apply to the first 214,620,000 gallons of Product delivered during any such Contract Year.

(b) For each Month of the fifth Contract Year there shall be due hereunder, in addition to the amount determined pursuant to Section 6.1 above, a Price Reallocation Adjustment equal to the Contract Quantity delivered during such Month multiplied by 4.0 cents per gallon; provided, however, such Price Reallocation Adjustment shall only apply to the first 214,620,000 gallons of Product delivered during such Contract Year and provided further that the 4.0 cents per gallon utilized herein shall be subject to further adjustment as set forth in Section 6.12(c) below.

(c) The 4.0 cents per gallon adjustment provided in Section 6.12 (b) above shall be further adjusted by multiplying such 4.0 cents per gallon by an adjustment factor computed as follows:

$$\text{Adjustment Factor} = \left(\frac{D - 354,240,000}{354,240,000}\right)(2.5) - 1$$

Wherein,

(D) is the total gallons of Product (excluding Excess Volume) actually delivered during the first and second Contract Years;

(d) BEF shall invoice SUN for the Price Reallocation Adjustment determined above on the same date as Adjusted Invoices are submitted to SUN as provided in Section 6.6 above.

ARTICLE VII - PRODUCT LOCATION ADJUSTMENT

During each of the Contract Years, BEF will reimburse SUN a product location adjustment on any volume of MTBE or Off-Spec Product delivered hereunder which is actually transported from the Delivery Point to a Texas Gulf Coast location equal to SUN's actual cost per gallon for such transport; provided, however, such product location adjustment on any volume actually transported to said location shall not exceed a cap equal to one and one half cents (1.5c) per gallon, twenty-five (25%) of such cap to be escalated by a fraction, the numerator of which is the figure for the classification "All Items for All Urban Consumers" for Houston, Texas, as published by the U. S. Department of Labor, Bureau of Statistics for the most recent Month of October available at the date of billing and the denominator of which is the like figure for the Month of October, 1994. Such payment shall be included as an Operating Expense for the purposes of determining Monthly Floor Price in accordance with Exhibit A attached. BEF will issue a credit invoice for the amounts due SUN for this adjustment on the same date and for the same volume of Product as invoices are submitted to SUN

for Product as provided in Section 6.6 above. SUN may reduce the amounts it otherwise owes BEF under this Agreement for the amount of the credit invoices or otherwise request payment by BEF within ten (10) days of SUN's notification to make such payment.

ARTICLE VIII - WARRANTIES

8.1 Title. BEF warrants that at the time of delivery of the Product or any Off-Spec Product to SUN from BEF hereunder, BEF shall have good title and full right and authority to transfer all such material to SUN and that the title conveyed shall be good and its transfer shall be rightful and that such material shall be delivered free from any security interest or other lien or encumbrance.

8.2 Quality. BEF warrants that the material purchased by SUN from BEF hereunder shall conform at a minimum to the specifications set forth in Exhibit B hereto as amended except as provided in Sections 5.2 and 5.3 hereof.

8.3 THE FOREGOING WARRANTIES IN THIS ARTICLE VIII ARE EXCLUSIVE AND ARE IN LIEU OF ALL OTHER WARRANTIES, WHETHER WRITTEN OR ORAL, OR IMPLIED OR IN FACT OR IN LAW, AND WHETHER BASED ON STATUTE, CONTRACT, TORT, STRICT LIABILITY OR OTHERWISE. THE WARRANTY OF MERCHANTABILITY AND WARRANTY OF FITNESS FOR PARTICULAR PURPOSE ARE EXPRESSLY EXCLUDED AND DISCLAIMED. IF THE MATERIAL DELIVERED BY BEF IS OFF-SPEC, SUN'S EXCLUSIVE REMEDY FOR BREACH OF THE WARRANTIES SHALL BE LIMITED TO AN ADJUSTMENT OF THE PURCHASE PRICE AS SET OUT IN SECTIONS 5.3 AND 6.10 HEREOF FOR ANY MATERIAL SHOWN TO BE OTHERWISE THAN AS WARRANTED. NEITHER BEF NOR SUN SHALL BE LIABLE OTHERWISE FOR ANY SPECIAL, INCIDENTAL, CONSEQUENTIAL OR EXEMPLARY DAMAGES FOR BREACH OF ANY WARRANTY OR OTHERWISE. NOTHING HEREIN SHALL LIMIT SUN'S LIABILITY TO BEF TO

TAKE AND PAY FOR MATERIAL DELIVERED IN ACCORDANCE WITH THIS AGREEMENT.

Mutual Indemnity. Each party shall indemnify and hold harmless the other party, its directors, officers, and employees or agents from and against any loss, damage, claim, cost, charge, or expense of any kind or nature including attorneys' fees and other costs of litigation, incurred by the other party in connection with injury to or death of any third person or damage to property of any third person arising, out of the indemnifying party's performance or non-performance under this Agreement, to the extent that such loss, damage, claim, cost, charge or expense is caused by the negligence, or willful misconduct of the indemnifying party, its directors, officers, employees or agents. In no event shall the indemnifying party be liable for more than S10,000,000 in any one occurrence.

8.4 The determination of suitability of Product for the use contemplated by SUN is the sole responsibility of SUN, and BEF shall have no responsibility in connection therewith.

ARTICLE IX - FORCE MAJEURE AND FACILITY SHUTDOWN

9.1 Force Majeure. The term "Force Majeure", as used herein, shall include the following events when not within the control of the Party claiming suspension and when such Party is unable to prevent or overcome same by the exercise of diligence and dispatch: (a) with respect to BEF only, strikes, lockouts, or other labor disturbances, and (b) with respect to either Party, wars, blockades, insurrections, or acts of the public enemy; epidemics, landslides, lightning, earthquake, fires, storms, hurricanes, floods, washouts, or other acts of God; arrests and restraints of governments and people; federal, state or local laws, ordinances, rule or regulations; acts, orders, directives, or requisitions of any official or agency of the federal, state or local government; governmental rationing of or shortages of any material or equipment; riots or civil disturbances, fires, explosions, failures, disruptions, breakdowns, or accidents of or to

machinery, facilities or lines of pipe (whether owned, leased or rented); freezing of lines; embargoes, priorities, or expropriations by government or governmental authorities; interference by civil or military authorities, legal or defacto, whether purporting to act under some constitution, decree, law or otherwise; or any other cause of the kind herein enumerated which is not within the control of the Party claiming suspension and which such Party is unable to prevent by the exercise of diligence and dispatch. It is understood and agreed that the settlement of the strikes or lockouts shall be entirely within the discretion of BEF, and that the requirement that any Force Majeure event shall be remedied with diligence and dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of the opposing party when such course is inadvisable in the sole discretion of BEF. It is further agreed that a shutdown in whole or in part at any or all of SUN's refineries, shall not constitute a Force Majeure event. With respect to SUN, any or all of the above events or conditions, with the exception of strikes, lockouts or other labor disturbances, shall constitute "Force Majeure" entitling SUN to suspend its obligations in accordance with Section 9.2 if and only if the effect of such events or conditions is to render it impossible for SUN to deliver to Houston or Beaumont (via a commercially available transportation system) the Product delivered hereunder by BEF.

9.2 Notice and Effect of Force Majeure and Facility Shutdown. In the event either Party hereto is rendered unable, by reason of Force Majeure or Facility Shutdown, to carry out in whole or in part its obligations under this Agreement, other than the obligation to make payments of monies due hereunder, such Party shall give notice and full particulars of such Force Majeure or Facility Shutdown in writing by facsimile, telex or personal delivery to the other Party as soon as possible after the occurrence of such Force Majeure or Facility Shutdown. Such written notice or further written notice or notices shall contain full particulars of any such force majeure event. Upon the giving of notice of such event, the obligations of such Party (other than the obligation to make payments of monies due hereunder) shall, insofar as they are affected by such Force Majeure or Facility Shutdown, be suspended during the continuance of such condition, but for no longer period; and such cause, if Force Majeure, shall, as far as

possible, be remedied with all diligence and dispatch by the Party relying upon such Force Majeure to suspend its performance of such obligations.

9.3 Alternate Supply. During any period in which BEF is unable to deliver Product to SUN by reason of Force Majeure or Facility Shutdown. SUN shall be permitted to obtain Product from alternative sources and, in connection with arranging for supply from such alternative sources, SUN may rely upon BEF's representation of the expected duration of such Force Majeure or Facility Shutdown. During any period in which SUN is unable to take delivery of Product by reason of Force Majeure, BEF shall be permitted to make sales to alternative purchasers and, in connection therewith may rely upon SUN's representation of the expected duration of such Force Majeure.

9.4 Alternative Supply/Offtake. If the Facility is unable to deliver Product because of Production Shortfall, SUN shall have the right to contract with third parties for the volumes not available from the Facility.

Upon learning of such Production Shortfall, SUN shall notify BEF of its intention to seek other sources of Product and BEF, within five (5) business days thereafter, shall give SUN its estimate for the anticipated duration and volumetric extent of the Production Shortfall.

SUN may rely on BEF's estimate in negotiating contracts with such third party suppliers.

If the Facility should thereafter produce, within the estimated duration of the downtime from the Production Shortfall, volumes of Product in excess of those estimated in the notice to SUN, SUN shall have the right, but not the obligation, to purchase such excess Product pursuant to this Agreement.

If SUN does not elect to purchase the excess Product, BEF shall be permitted to sell or otherwise dispose of it to alternative parties.

ARTICLE X - TAXES

10.1 Taxes. The Purchase Price for the Product pursuant to Section 6.1 is net of all taxes, fees, duties or other similar charges imposed by governmental authority on the production, sale, or use of the Product. Upon receipt of reasonable evidence of BEF's payment thereof, SUN shall reimburse BEF for any such taxes, fees, duties and charges levied on the Product that BEF is required to pay. SUN's obligation does not apply to taxes levied on BEF and measured by net income, gross receipts or excess profits, nor to taxes or charges for which SUN claims exempt status under Section 10.2.

10.2 Exemptions. If SUN claims exemption from any existing, increased or new taxes or charges, SUN will furnish appropriate exemption certificates in accordance with the laws and regulations of the tax levying authority in effect at the time of delivery. Should such exemption be denied, SUN will assume and pay all such taxes or charges, together with penalties and interest, as may be assessed against BEF.

ARTICLE XI - ARBITRATION

11.1 All disputes or differences concerning the interpretation, application, performance or breach of any provision or provisions of this Agreement or the various agreements executed pursuant hereto shall be settled amicably between the Parties. If any such dispute or difference is not so settled; however, any Party shall have the right to refer it to arbitration for final settlement.

11.2 The Party demanding arbitration shall do so in writing setting forth a summary of the claims and nominating its arbitrator. Each Party will nominate one arbitrator and the two so chosen shall select a panel chairperson. Should they be unable to agree, the panel chairperson shall be selected by the chief judge from any court of competent jurisdiction.

ARTICLE XII - NOTICES

All notices, requests, demands, directions and other communications provided for herein shall be in writing and shall be deemed to have been properly given or made if (i) delivered in person, sent by overnight courier, facsimile or tested telex to the applicable Party at the address for personal delivery indicated below; or (ii) mailed, postage prepaid, by certified or registered mail with return receipt requested, to the applicable Party at the address for mail indicated below:

BEF: Belvieu Environmental Fuels
2727 North Loop West
P. 0. Box 4324
Houston, Texas 77210
Attention: Chairman, Management Committee
Fax: (713) 880-6570

SUN: Sun Company, Inc. (R&M)
Ten Penn Center
1801 Market Street
Philadelphia, PA 19103
Attention: Manager, Product Supply
Fax: (215) 557-0685
Telex: RCA - 244941

Notices given as aforesaid shall be deemed to have been given upon receipt or refusal of receipt by the addressee. Any Party may change its respective address, telex or facsimile number by giving written notice of such change to the remaining Parties in accordance with the terms of this Section.

ARTICLE XIII - TERM AND TERMINATION

13.1 Except as otherwise provided herein, this Agreement shall be in full force and effect from the date hereof and thereafter shall continue for an initial term of ten (10) years from the commencement of Initial Deliveries of Product hereunder or October 1, 1994, whichever is later.

13.2 The term of this Agreement shall automatically renew and be extended from year to year after the initial term, unless either Party shall give at least twelve (12) Months prior written notice to the other Party of its desire to terminate this Agreement effective as of the end of the initial term or any renewal term thereafter.

13.3 At any time after the fifth Contract Year, if the Permanent Financing for the Facility has been repaid, and SUN or its Affiliate(s) cease to own a partnership interest in BEF, SUN may terminate its obligations under this Agreement by obtaining a third party to assume SUN's right and obligations under this Agreement and by issuing written notification to BEF of its intent to terminate this Agreement.

13.4 This Agreement may be terminated by either Party upon thirty (30) days written notice given at any time prior to commencement of Initial Deliveries of Product hereunder in the event such Initial Deliveries have not commenced on or before October 1, 1996.

ARTICLE XIV - ASSIGNMENT; PARTIES IN INTEREST

14.1 Neither Party may assign its rights hereunder, either in whole or in part, without the prior written consent of the other Party, which consent will not be unreasonably withheld. Each Party agrees, as a condition to any assignment, transfer or conveyance, that it shall make the same subject to the terms and provisions hereof, and shall expressly require such assignee, transferee, or grantee, to assume in writing the duties and obligations imposed upon the assigning Party, insofar as the same affects such Party. Neither Party shall be relieved of its duties and obligations imposed hereby as a result of such assignment without the prior written consent of the other Party which consent will not be unreasonably withheld.

14.2 This Agreement shall be binding upon and inure to the benefit of the Parties, and, subject to the foregoing provisions of 14.1, their respective legal representatives, successors and assigns. Any assignment in violation of this Article shall be void.

14.3 Subject to the foregoing provisions of 14.1 and 14.2. nothing in this Agreement is intended to be for the benefit of, or may be enforced by, any third party.

ARTICLE XV - CONFIDENTIALITY

(a) In connection with the performance of this Agreement, it may be necessary for SUN to disclose to BEF certain proprietary information of SUN including the consumption and production of Product by SUN (the "Proprietary Information"). The Proprietary Information, which shall be so labeled by SUN, is a commercial asset of considerable value to SUN, and SUN is not willing to disclose it except on the terms and conditions set forth in this Agreement.

(b) BEF shall (i) keep confidential any and all Proprietary Information to which it is exposed, (ii) not disclose or make known, in whole or in part, to anyone else any of the Proprietary Information, except as specified below; and (iii) not use any of the Proprietary Information except to perform under this Agreement. BEF may allow access to any Proprietary Information furnished hereunder only to those of its personnel who have a need to know the same for the performance of this Agreement and who have entered into a non-disclosure and limited use agreement with BEF which makes each such person at least as obligated to BEF as BEF is to SUN under this Agreement with respect to such Proprietary Information. Copies of said non-disclosure and limited use agreements shall be provided to SUN upon request.

(c) The obligations of subsection (b) above shall not apply to any information that (i) BEF can prove was in its possession prior to the disclosure thereof by SUN; (ii) is or becomes available to the general public through no fault of BEF or BEF's personnel; or (iii) is disclosed to the recipient under no obligation of confidence by someone other than BEF.

(d) The foregoing secrecy and non-use obligations shall survive for a period of ten (10) years following the expiration or termination of this Agreement.

ARTICLE XVI - GOVERNING LAW

16.1 This Agreement shall be subject to all applicable state and federal laws, and to all rules, regulations, orders, and directives of any federal, state or local governmental authority, agency, commission, or regulatory body in connection with any and all matters and things incident to this Agreement including those set out in Exhibit D attached hereto.

16.2 THIS AGREEMENT SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF TEXAS.

ARTICLE XVII - DEFAULT

17.1 A Party is in default (an "Event of Default") under this Agreement upon the occurrence of any of the following events or conditions:

(a) With respect to SUN, the failure of SUN (i) to make any payment required by this Agreement (whether to BEF or otherwise) or (ii) to lift, or otherwise purchase and physically accept the delivery of, Product at the Delivery Point in accordance with this Agreement, which failure is not cured or remedied within sixty (60) days of the written notice is given by BEF to SUN;

(b) With respect to BEF, the unexcused failure of BEF to deliver Product to the Delivery Point in accordance with this Agreement, which failure has not been corrected, cured or remedied within sixty (60) days after written notice of such failure has been given by SUN to BEF; or

(c) With respect to either Party, any significant material breach (other than any breach described in clauses (a) or (b) above in this Section 17.1), by such Party in the due performance of, or compliance with, any of such Party's obligations under this Agreement, which breach has not been corrected, cured or remedied within thirty (30)

days after written notice of such breach has been given to the breaching Party by the other Party; provided, however, that any such breach shall not constitute an "Event of Default" if such breach cannot be corrected, cured or remedied within such 30-day period and the breaching Party has instituted corrective action within such period and diligently pursues such action until the breach is corrected, cured or remedied, but in all events not more than 120 days from the date of the written notice of such breach.

17.2 If, at any time (a) during the first five (5) Contract Years of this Agreement or (b) prior to the date on which all of the Bank Obligations shall have been indefeasibly paid in full and in cash, whichever is later (the "Deferred Period"), an Event of Default shall have occurred and be continuing with respect to BEF under this Agreement, SUN will have, as its sole exclusive remedies, (i) the right, directly or through a mutually acceptable designee (which acceptance will not be unreasonably withheld), to take over operation of the Facility under the terms and conditions of the existing Operating Agreement between BEF and its operator, after giving BEF and the agent under the Bank Loan Agreement fifteen (15) days prior written notice of the Event of Default, and (ii) the right to initiate a claim for monetary damages as a result of such Event of Default; provided that prior to the end of the Permanent Financing, SUN will neither seek to collect on or otherwise enforce any judgment or award obtained in respect of such claim nor accept any payment in total or partial satisfaction or settlement of such claim without the prior written consent (which consent will not be unreasonably withheld) of the Required Lenders (as defined in its Bank Loan Agreement) and provided further that, during such time that SUN is prevented from exercising its rights to collect on or otherwise enforce its judgment herein, BEF shall waive any and all time limitations relating to SUN's right to execute on, collect or otherwise enforce such judgment or award. Should SUN elect this remedy, BEF will provide SUN with its cooperation and assistance in making the transition to the management of SUN or its mutual designee. If, during this same period, an Event of Default shall have occurred and be continuing with respect to SUN under this Agreement, BEF's remedies shall be those available at law or in equity.

17.3 Upon the occurrence and continuation of an Event of Default after the Deferred Period, the non-defaulting Party shall, in addition to any other rights or remedies available to it, have the right to terminate this Agreement at any time by giving ten (10) days' prior written notice of termination to the defaulting Party.

ARTICLE XVIII - ENTIRETY OF AGREEMENT

This Agreement, including all exhibits attached hereto, constitutes the entire agreement between the Parties with respect to the supply of Product, and shall supersede all prior agreements and understandings between the Parties with respect thereto and no amendments or modification of any provision of this Agreement shall be effective unless in writing and signed by both Parties. The Parties recognize that from time to time purchase orders, delivery instructions, invoices and similar documentation will be transmitted by each Party to the other to facilitate the implementation of this Agreement. Any terms and conditions contained in any of those documents which are inconsistent with the terms set forth in this Agreement shall be null, void and non-enforceable.

ARTICLE XIX - MISCELLANEOUS

19.1 The captions and headings of the articles in this Agreement are for the convenience of the Parties and shall not be deemed or taken to constitute any part of any article or of this Agreement or to alter the content or affect the meaning or interpretation thereof in any way.

19.2 Time is of the essence in this Agreement and in each and all of the provisions hereof, but the time for any act or performance required hereunder may be extended by written mutual agreement of the Parties or by a written waiver by the Party to which such act or performance is promised.

19.3 No provision of this Agreement, nor any right or remedy hereunder or arising out of this Agreement, may be waived except by a writing signed by a duly authorized officer or representative of the Party against whom enforcement of such waiver is sought. No delay by either Party hereto in asserting or enforcing any of its rights or remedies hereunder or at law or in equity shall be deemed a waiver of such rights or remedies, nor shall a waiver by either Party hereto of any default of the other Party hereto be deemed a waiver of any other or subsequent default or of any provision hereof.

19.4 If any section or provision of this Agreement shall be determined to be invalid by applicable law, then for such period that the same is invalid, it shall be deemed to be deleted from this Agreement and the remaining portions of this Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their authorized representatives effective as of the date first above written.

SUN COMPANY, INC. (R&M)

By: /s/ [Signature appears here]

Title: Senior Vice President

BELVIEU ENVIRONMENTAL FUELS:

LIQUID ENERGY FUELS CORPORATION

By: /s/ [Signature appears here]

Title: President

ENTERPRISE PRODUCTS COMPANY

By: /s/ CHARLES J. ROTH

Title: Executive Vice President

SUN BEF, INC.

By: /s/ [Signature appears here]

Title: Vice President

EXHIBIT A

BELVIEU ENVIRONMENTAL FUELS
OFF-TAKE AGREEMENT

MONTHLY FLOOR PRICE DETERMINATION

Monthly Floor Price - For any Month the Monthly Floor Price shall be the amount, stated in cents per gallon (rounded to the nearest hundredth of a cent - xx.xx cents), that results from the following computation:

$$\text{MONTHLY FLOOR PRICE} = \frac{X + Y}{Z}$$

Wherein:

(X) means the sum of BEF's Base Feedstock Costs, Base Turnaround Costs, Base Variable Expenses and Base Facilities Expenses minus BEF's Base By-product Revenues for such Month.

(Y) means the excess of the Base Financing Level over the Base Depreciation Adjustment for such Month.

(Z) means the Floor Production for such Month.

DEFINITIONS

Base By-Product Revenue - means, for any Month the By-product Revenue for such Month prorated to the Floor Production for such Month on the basis of gallons of Floor Production to gallons of total deliveries of MTBE hereunder for such Month.

Base Depreciable Assets - means the amount shown on the books and records of BEF as depreciable assets as of the Start-Up date of the Facility, plus the sum of all capital

expenditures made or committed by BEF during the one year period immediately following the Start-Up date.

Base Depreciation Adjustment - means for any Month, the Depreciation Adjustment for the applicable Permanent Financing Year multiplied by a fraction, the numerator of which is that Months Floor Production and the denominator of which is 193,450,000.

Base Facilities Expenses - means, for any Month, the Projected Facilities Expenses for the remainder of the applicable Permanent Financing Year multiplied by a fraction, the numerator of which is that Month's Floor Production and the denominator of which is (i) the greater of total production of MTBE estimated to be produced (as estimated by BEF's Management Committee including all known adjustments) during the Permanent Financing Year or 193,450,000 gallons, minus (ii) the sum of total production of MTBE for each Month of such Permanent Financing Year which preceded the Month for which Base Facilities Expenses is being determined.

Base Feedstock Costs - means, for any Month, the Feedstock Costs for such Month prorated to the Floor Production for such Month on the basis of gallons of Floor Production to gallons of total production of MTBE hereunder for such Month.

Base Financing Level - means for any Month, the Projected Financing Costs for the remainder of the applicable Permanent Financing Year multiplied by a fraction, the numerator of which is that Month's Floor Production and the denominator of which is (i) 193,450,000, minus (ii) total production during the Months preceding the Month of determination.

$$\text{BASE FINANCING LEVEL} = L \times \left(\frac{M}{193{,}450{,}000 - N}\right)$$

Wherein,

(L) means the Projected Financing Costs for the remainder of the Permanent Financing Year.

(M) means that Month's Floor Production

(N) the total production during the Months of the Permanent Financing Year preceding the Month of determination.

No Base Financing Level is applicable during Months when all production is Non-Floor Production.

Base Turnaround Costs - means, for any Month, the Projected Turnaround Costs for the remainder of the applicable Permanent Financing Year multiplied by a fraction, the numerator of which is that Month's Floor Production and the denominator of which is (i) the total production of MTBE estimated to be produced (as estimated by BEF's Management Committee including all known adjustments) during the Permanent Financing Year, minus (ii) the sum of total production of MTBE for each Month of such Permanent Financing Year which proceeded the Month for which Base Turnaround Costs is being determined.

By-Product Revenue - means, as to any given period, the amount of total revenues associated with the sale by Seller of any by-products or services resulting from the operation of BEF's MTBE facility.

Base Variable Expenses - means, for any Month, the Projected Variable Expenses for the remainder of the applicable Permanent Financing Year multiplied by a fraction, the numerator of which is that Month's Floor Production and the denominator of which is (i) the total production of MTBE estimated to be produced (as estimated by BEF's Management Committee including all known adjustments) during the Permanent

Financing Year, minus (ii) the sum of total production of MTBE for each Month of such Permanent Financing Year which preceded the Month for which Base Variable Expenses is being determined.

Depreciation Adjustment - For any Permanent Financing Year, means the following computation:

$$\text{DEPRECIATION ADJUSTMENT} = \frac{1}{5} \times \left(\frac{A \times .34}{.66}\right)$$

Wherein,

(A) is the excess of Base Depreciable Assets over the original amount of BEF's Permanent Financing.

This equation results in a proforma benefit to BEF's partners from the excess of depreciation over the amount of BEF's Permanent Financing. The Floor Price is designed to secure repayment of BEF's Permanent Financing except for such proforma benefits. If the statutory Federal income tax rate for corporations changes in the future from 34%, the multipliers stated above (.34 [the Tax Rate] and .66 [the reciprocal of the Tax Rate] will be adjusted accordingly from the date of such change.

In no event shall the Depreciation Adjustment exceed one-fifth (1/5) of an amount equal to seven percent (7%) of the original amount of the Permanent Financing.

Feedstock Costs - means, as to a given period, the total costs to BEF to acquire raw materials (isobutane and methanol) consumed, lost in normal operations or otherwise used in the operations of the Facility for such period including transportation and storage thereof. Feedstock Costs shall include such costs as are properly allocable under the LIFO inventory method for feedstock from inventory that is consumed, lost in normal operations or otherwise used in operations for such period, but will not

include the cost of feedstock purchased for inventory, or lost in other than normal operations.

Projected Facilities Expenses - As used in the determination of Monthly Floor Price for any Month means, (i) the total operating expenses (excluding, for purposes of this definition, variable expenses, accruals for turnaround costs, financing costs and feedstock costs which are handled hereunder as Projected Variable Expenses, Projected Turnaround Costs, Projected Financing Costs and Feedstock Costs, respectively and further excluding depreciation and amortization of fixed assets) incurred or expected to be incurred in conjunction with the operations of the Facility as projected for that Permanent Financing Year in BEF's approved expense budget after all known actual and appropriate adjustments which are recognized by BEF's Management Committee, minus (ii) the sum of the Base Facilities Expenses for each of the Months of such Permanent Financing Year which preceded the Month for which the Monthly Floor Price is being determined.

Projected Financing Costs - as used in the determination of Monthly Floor Price for any Month means (i) the total payments of principal and interest (including bank fees) made or scheduled to be made on BEF's Permanent Financing as projected for that Permanent Financing Year in BEF's approved budget after all known actual and appropriate adjustments which are recognized by BEF's Management Committee, minus (ii) the sum of the Base Financing Levels for each of the Months of such Permanent Financing Year which preceded the Month for which the Floor Price is being determined.

Projected Turnaround Costs - As used in the determination of Monthly Floor Price for any Month means (i) the total Turnaround Costs (as defined in the Partnership Agreement) incurred (net of accrual reversals) or accrued, or expected to be incurred or accrued in conjunction with the operations of the Facility as projected for that Permanent Financing Year in BEF's approved expense budget after all known actual and appropriate adjustments which are recognized by BEF's Management Committee, minus (ii) the sum of the Turnaround Costs for each of the Months of such Permanent

Financing Year which preceded the Month for which the Monthly Floor Price is being determined.

Projected Variable Expenses - As used in the determination of Monthly Floor Price for any Month means, (i) the total variable operating expenses incurred or expected to be incurred in conjunction with the operations of the Facility as identified and projected for that Permanent Financing Year in BEF's approved expense budget after all known actual and appropriate adjustments which are recognized by BEF's Management Committee, minus (ii) the sum of the Base Variable Expenses for each of the Months of such Permanent Financing Year which preceded the Month for which the Monthly Floor Price is being determined. For purposes of this definition, Projected Variable Expenses shall exclude future changes to the variable operating expenses which are deemed by agreement of the parties to be material and unusual in nature and not realistically expected by the parties to be incurred based on the original scope of operations of the Facility.

EXHIBIT 10.7

ARTICLES OF PARTNERSHIP

OF

MONT BELVIEU ASSOCIATES

THESE ARTICLES OF PARTNERSHIP (sometimes herein referred to as "this Agreement") are entered into by and between ENTERPRISE PRODUCTS COMPANY, a Texas corporation ("Enterprise"), and TENNECO OIL COMPANY, a Delaware corporation ("Tenneco"), who hereby agree to create, constitute and form a partnership for the limited purposes and upon the terms and conditions set forth in the following Articles.

ARTICLE I

Formation

1.1 Formation. Enterprise and Tenneco (each being sometimes individually referred to herein as a "Partner" and both being collectively referred to herein as the "Partners") hereby form, under and pursuant to the Texas Uniform Partnership Act, a partnership (the "Partnership") for the limited purposes herein set forth.

1.2. Name. The name of the Partnership shall be "Mont Belvieu Associates". The name of the Partnership may be changed by agreement of both of the Partners. Unless otherwise expressly permitted by this Agreement, the Partnership name shall be used at all times in connection with the conduct of the business and affairs of the Partnership. In connection with the formation and operation of the Partnership, the Partners agree to execute and file all assumed or fictitious name certificates required by law to be filed in any jurisdiction in which the Partnership conducts business.

1.3. Purposes. The purposes for which the Partnership is formed and the powers of the Partnership which may be exercised in furtherance of such purposes, are as follows:

(a) to acquire, hold, assign, sell or otherwise dispose of the Tenneco/Enterprise Interest (as hereinafter defined);

(b) to exercise and enjoy all of the rights, privileges and benefits, and to pay, perform and observe all of the obligations, agreements and liabilities, allocable or attributable to the Tenneco/Enterprise Interest pursuant to the terms of this Agreement, the Operating Agreement (as hereinafter defined), or at law or in equity;

(c) to borrow from a bank or other institutional lender sums aggregating up to $41,000,000.00 for the purpose of financing the acquisition by the Partnership of the Tenneco/Enterprise Interest (the "Acquisition Loan") and to mortgage, pledge, assign or otherwise create a lien on the Tenneco/Enterprise Interest, the Throughput Agreements, the Fractionation Agreements, the Operating Agreement (all of the foregoing being hereinafter defined) and/or other agreements pertaining to any of the foregoing, for the purpose of securing payment of such loan or loans;

(d) to enter into agreements (the "Throughput Agreements") with Tenneco and Enterprise individually, respecting the delivery to the Partnership of Raw Make (as said term is defined in the Operating Agreement) for fractionation and the payment of fees to the Partnership for such fractionation;

(e) to enter into agreements (the "Fractionation Agreements") with the Operator under the Operating Agreement respecting the fractionation of all Raw Make provided to the Partnership under the Throughput Agreements and the payment of fees to the Operator for the same; and

(f) to take or cause to be taken all actions and to perform or cause to be performed all matters necessary or appropriate to conduct the day-to-day business of the Partnership and to carry out the foregoing purposes of the Partnership, all on the terms and conditions set forth herein.

1.4. Principal Place of Business. The principal place of business of the Partnership shall be maintained at 1010 Milam Street, Houston, Texas 77002 or such other place or places as the Partners may from time to time mutually determine. The Partnership shall not be limited in the conduct of its business to that location, but may conduct its business at any number of

locations within and without the State of Texas as may be mutually determined by the Partners to be necessary or desirable.

1.5. Term. The Partnership shall commence on the effective date of this Agreement, and shall continue until dissolved as herein provided.

1.6. Definitions. For purposes of this Agreement:

(a) "Acquisition Loan Payment" means any installment of principal, premium, if any, and interest, or of principal or interest only, which shall become due and payable under the terms of the instrument or instruments creating or evidencing the Acquisition Loan.

(b) "Acquisition Loan Payment Date" means the date on which any Acquisition Loan Payment shall become due and payable.

(c) "Affiliate" means, as to the party specified, any Person controlling, controlled by or under common control with such party, with the concept of control in such context meaning the possession, directly or indirectly, of the power to direct or cause direction of the management and policies of another, whether through the partnership of voting securities, or otherwise.

(d) "Agreement" means these Articles of Partnership of Mont Belvieu Associates.

(e) "Banks" means the banks or other institutional lenders from which the Acquisition Loan is obtained.

(f) "Enterprise Facilities" means the Facilities less and except the Texaco Facilities.

(g) "Facilities" means the West Texas Fractionator and the Seminole Fractionator (including the Texaco Facilities), and includes all tanks, machinery, equipment, fixtures, appliances, pipes, valves, fittings and material of any nature whatsoever, all buildings and structures of any kind whatsoever and any and all appurtenances thereto located on the Site, which are necessary for the operation of the facilities, together with all alterations, additions, enlargements, revisions, substitutions or replacements of any kind as may be hereafter made pursuant to the terms of this Agreement, and in-

cluding the fee estate in the Site and all easements, servitudes, permits or grants required for the operation of the facilities regardless of location.

(h) "Fractionation Agreements" means the agreements described in Section 1.3(e) above.

(i) "Managing Partner" means the Managing Partner designated in or appointed pursuant to Section 5.1 hereof.

(j) "Operating Agreement" means that certain Restated Operating Agreement for the Mont Belvieu Fractionation Facilities, Chambers County, Texas, among all Owners of the Facilities, effective as of January 1, 1985, as ratified and joined in by the Partnership pursuant to the Ratification and Joinder Agreement dated July 17, 1985, among the Partnership and the Owners.

(k) "Operator" means Enterprise or any successor to Enterprise selected by the Owners to operate the Facilities in accordance with the Operating Agreement.

(l) "Organizational or Administrative Expenses" means all expenses incurred by or on behalf of the Partnership in connection with its formation and organization or in the day-to-day conduct of the business of the Partnership, including, without limitation, legal, accounting and other professional fees, insurance premiums, and filing fees but specifically excluding Operating Expenses and Capital Expenditures, as such terms are defined in the Operating Agreement.

(m) "Owners" means the parties to the Operating Agreement who own an interest in the Facilities, directly or indirectly, whether presently or in the future. The term "Owners" as defined herein shall not include any Affiliate of any Owner.

(n) "Partnership Interest" means the respective percentages of ownership interests of the Partners as set forth in Section 2.1 hereof.

(o) "Partner" or "Partners" means Tenneco and/or Enterprise as defined in Article 1.1 above.

(p) "Person" means any natural person, corporation, company, partnership, joint venture, association, joint-stock company, trust, foundation, fund, institution, society, union, club or other group organized for any purpose, whether incorporated or not, wherever located and of whatever citizenship; or any receiver, trustee in bankruptcy or similar official or any liquidating agent for any of the foregoing in his or her capacity as such.

(q) "Site" means the tracts or parcels of real property on which the Facilities are situated, as described on Exhibit "A" attached hereto.

(r) "Tenneco/Enterprise Interest" means an undivided 57.1428 percent interest in the Enterprise Facilities (other than with respect to the Site) and an undivided 50% interest in the Site.

(s) "Term Loan Agreement" means the Term Loan Agreement between the Partnership and the Banks, relating to the Acquisition Loan, as the same may from time to time be amended, modified or supplemented.

(t) "Texaco" means Texaco Producing Inc., a Delaware corporation, which is the successor in interest to Getty Oil Company.

(u) "Texaco Facilities" means those components of the Seminole Fractionator and related facilities set forth in Exhibit "B" hereto which are presently wholly-owned by Texaco.

(v) "Throughput Agreement" means either of the agreements described in Section 1.3(d) above.

ARTICLE II

Interests of Partners

2.1. Original Contributions and Interests. Contemporaneously with the execution of this Agreement, each Partner has contributed in cash to the capital of the Partnership the amount set opposite such Partner's name below, and the amount of the initial contribution by each Partner shall entitle that Partner to a Partnership Interest in the Partnership in the percentage set opposite that Partner's name below:

Partner	Initial Capital Contribution	Partnership Interest
Tenneco	$20,000	50%
Enterprise	20,000	50%
	$40,000	100%

2.2. Additional Capital Contributions. The Partners hereby agree to make capital contributions in proportion to their respective Partnership Interest to the extent required to enable the Partnership to meet its obligations under Sections 6.l, 6.2.and 6.3 of the Operating Agreement.

2.3. Capital Accounts. A capital account shall be established and maintained for each Partner. No Partner shall be entitled to receive interest on its capital account. The capital account of each Partner shall consist of the initial capital contribution made by that Partner, increased by (i) additional capital contributions made by that Partner and (ii) Partnership profits allocated to that Partner, and decreased by (x) Partnership losses allocated to that Partner and (y) distributions made to that Partner. Except by agreement of both Partners, neither Partner shall be entitled to the return of its capital contributions except by way of a distribution of assets upon dissolution and liquidation of the Partnership pursuant to the provisions of this Agreement.

ARTICLE III

Profits and Losses, Distributions

3.1. Allocation of Profits and Losses. Each item of income, gain, credit, expense, loss or other deduction realized by the Partnership shall be allocated to the Partners in accordance with their Partnership Interests.

3.2. Distributions.

(a) All distributions of cash or property from the Partnership to the Partners shall be in proportion to the Partners' respective Partnership Interests.

(b) Until all of the Partnership's obligations with respect to the Acquisition Loan shall have been fully and finally discharged, the Partnership shall make

no distributions to the Partners except as permitted by this Section 3.2(b). On each date on which payments are due to the Partnership by the Partner, severally, pursuant to the Throughput Agreements, the Partnership shall make a distribution in an amount (but only to the extent of the Partnership's cash on such date) equal to the total amount of such payments (excluding payments representing fractionation fees under the Fractionation Agreements); provided, however, that each of the Partners hereby irrevocably directs the Managing Partner to retain, on behalf of such Partner, any amount to be distributed to it on any such date and to apply such distribution to the payment owed to the Partnership by such Partner on such date pursuant to its Throughput Agreement.

(c) Following satisfaction in full of the Partnership's obligations with respect to the Acquisition Loan, the Partnership shall make such distributions as are approved unanimously by the Partners.

3.3. Use of Cash. As used herein, the term "Available Cash" as of any date shall mean cash on hand on such date including, without limitation, cash on hand which was received by the Partnership pursuant to Article VII of the Operating Agreement. Until all of the Partnership's obligations with respect to the Acquisition Loan shall have been fully and finally discharged, all Available Cash shall be accumulated and applied as follows:

(a) The Managing Partner shall accumulate Available Cash up to the amount which it, in its sole opinion, estimates at any time is the aggregate amount of payments (other than payments representing fractionation fees under the Fractionation Agreements) which will be payable during the ensuing 6-month period by the Partners pursuant to the Throughput Agreements and the Available Cash so accumulated shall be applied solely to the making of distributions pursuant to Section 3.2 hereof.

(b) If at any time the Partnership has Available Cash in excess of the amount then required to be accumulated pursuant to subparagraph (a) above, such Available Cash shall be applied solely to the making of prepayments of the Acquisition Loan to the extent permitted by, and in accordance with, the Term Loan Agree-

ment; provided, however, that if the amount of such Available Cash is less than the minimum amount permitted by the Term Loan Agreement to be prepaid, then the Managing Partner shall invest such cash as permitted by Section 5.2(d) until the Partnership has accumulated sufficient Available Cash to make a prepayment pursuant to this Section 3.3.

3.4. Withdrawals. Neither Partner shall be entitled to make any distribution without the prior consent of the other Partner.

ARTICLE IV

Accounting and Reports

4.1. Books and Records. The Partnership shall maintain complete and accurate books and records reflecting the nature and extent of the assets, liabilities and contractual commitments of the Partnership and all receipts and disbursements of the Partnership. In addition, the Partnership shall maintain all other records necessary for documenting and recording the business and affairs of the Partnership. The Partnership shall keep its books of account on an accrual basis in accordance with generally accepted accounting principles and practices consistently applied. The books of the Partnership shall be kept at the principal place of business of the Partnership. Each Partner or his duly authorized representative may, at his own expense, inspect the books of the Partnership at any time during ordinary business hours.

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

4.3. Financial Statements. Within 60 days following the end of each fiscal quarter of the Partnership, and within 120 days following the end of each fiscal year of the Partnership, the Managing Partner will deliver to the other Partner an unaudited balance sheet of the Partnership at the end of such fiscal quarter or year, together with an unaudited statement of operations for such fiscal quarter or year.

4.4. Tax Returns and Information. The Managing Partner shall supervise the preparation of Federal income tax information returns which the Partnership may be required to file, and shall timely provide sufficient tax information to the other Partner.

ARTICLE V

Management of the Partnership

5.1. Appointment of Managing Partner. The Managing Partner shall be responsible for carrying out the policies of the Partnership as mutually established by the Partners and shall have primary responsibility for the day-to-day conduct of the business of the Partnership. Tenneco shall from time to time designate the Managing Partner, who shall serve at the pleasure of Tenneco and may be removed at any time by Tenneco upon a least thirty (30) days' written notice. Tenneco is hereby designated the first Managing Partner.

5.2. Powers and Duties of Managing Partner. The Managing Partner shall have the exclusive right and the duty to conduct all business relating to the Partnership, which shall include without limitation:

(a) The preparation, supervision, and execution of all contracts entered into by the Partnership, including those related to the debts of the Partnership. The Managing Partner shall specifically have the responsibility to comply on a timely basis with the ministerial requirements of the Term Loan Agreement, such as rendering payments to the Banks as such payments are severally tendered by the Partners pursuant to their respective Throughput Agreements, delivering on a timely basis to the Banks all documents and other written material required to be delivered by the Partnership pursuant to the Term Loan Agreement, sending and receiving notices, and informing the Partners of any notices which directly affect the Partners.

(b) The supervision of all operations conducted under the terms of any contracts entered into by the partnership, unless any such duty shall be delegated to a partner by mutual consent.

(c) The preparation of Partnership accounts including those related to the debts of the Partnership, and the payment and/or distribution of Partnership funds to the Partners or creditors of the Partnership as required or permitted by this Agreement, or any other applicable agreement.

(d) The establishment and supervision of an investment program for any cash of the Partnership. Such cash shall be invested or reinvested only in (i) securities and fully guaranteed or insured by the United States Government or any agency or instrumentality thereof having maturities of not more than six months from the date of acquisition, (ii) time deposits and certificates of deposit of any domestic commercial bank having capital and surplus in excess of $100,000,000 having maturities of not more than six months from the date of acquisition, (iii) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (i) and (ii) entered into with any bank meeting the qualifications specified in clause (ii) above, and (iv) commercial paper, other than commercial paper of any affiliate of the Company, rated at least A-1 or the equivalent thereof by Standard & Poor's Corporation or P-1 or the equivalent thereof by Moody's Investors Service, Inc. and in either case maturing within six months after the date of acquisition. It is understood that all such investments shall be made in the name of the Partnership. The Managing Partner shall have no liability to the Partners in the event that any loss related to the investments shall occur.

5.3. Fees and Expenses of Managing Partner. The Managing Partner shall charge no fee for its services or for internal costs attributable to the services of the Managing Partner's employees. In the event that the Managing Partner incurs costs attributable to the independent contractors, professional services of persons not employed by the Managing Partner or other similar external costs, the Managing Partner shall be reimbursed for such costs by the Partners in the same proportion as their Partnership Interests.

5.4. Restrictions on Partners. Neither Partner, without the prior consent of the other Partner, may borrow or lend money on behalf of the Partnership, guarantee or otherwise cause the Partnership to become liable with respect to the indebtedness of any other person, sell, transfer or otherwise dispose of Partnership property, create a security interest in, pledge, mortgage or otherwise encumber any assets of the Partnership, or use the name, credit or assets of the Partnership for any purpose other than a Partnership purpose. Each Partner shall be indemnified and held harmless by the other Partner from and against any and all claims, demands, liabilities, costs,

damages and causes of action of any nature arising out of such other Partner's breach of the foregoing mutual covenants.

5.5. Removal of Managing Partner. The Managing Partner shall be discharged and its powers, rights and duties terminated in the event the Managing Partner: (a) is adjudicated a bankrupt; (b) files a voluntary petition in bankruptcy; (c) makes a general assignment for the benefit of its creditors; (d) has a receiver appointed to pay its debts as they mature; or (e) commits an act or omission which would constitute a material breach of this Agreement.

ARTICLE VI

Partnership Property

6.1. Partnership Property. The capital contributions of the Partners shall become Partnership property and all assets acquired with such funds or the proceeds of sale of such, assets shall be so recorded in the accounts of the Partnership.

6.2. Method of Holding Property. Property of the Partnership may be acquired, held and conveyed in the name of the Partnership or in the name of one or both of the Partners or any other person or entity as nominee for the Partnership, but shall be recorded as Partnership property in the accounts of the Partnership.

6.3. Bank Accounts. The Partnership shall establish and maintain such accounts in such financial institutions (including federal or state banks, trust companies or savings and loan institutions) and in such amounts as the Managing Partner may deem necessary from time to time. Checks shall be drawn on and withdrawals of funds shall be made from any such accounts for Partnership purposes and shall be signed or requested by the Managing Partner, or any other persons duly authorized by the Partners.

6.4. Commingling of Partnership Property. Property of the Partnership shall not be commingled with the property of any Partner or any other business which may be owned, conducted or managed by any Partner.

ARTICLE VII

Dissolution, Winding-Up and Termination

7.1. Dissolution. Upon the occurrence of any one of the following events with respect to a Partner (the "Defaulting Partner"), the other Partner may elect to dissolve the Partnership by giving written notice of dissolution to the Defaulting Partner:

(a) the Defaulting Partner shall be adjudicated a bankrupt or insolvent if such adjudication be involuntary and shall not be vacated within 30 days; or

(b) any proceeding shall be commenced by or against the Defaulting Partner seeking relief under any bankruptcy or insolvency law, including, without limitation, a reorganization, arrangement, readjustment of debt, receivership, trusteeship or liquidation, and such proceeding shall be involuntary, and shall remain undismissed for 30 days, or the Defaulting Partner shall, by action or answer, approve of, consent to or acquiesce in such proceeding or admit the material allegations of or default in answering a petition filed in such proceeding; or

(c) a receiver or liquidator shall be appointed with or without the Defaulting Partner's consent for all or any substantial part of the property of the Defaulting Partner, whether or not including the Defaulting Partner's interest in the Partnership, and if without its consent, such appointment shall not be discharged within 30 days; or

(d) the Defaulting Partner shall admit in writing its inability to pay its debts as they mature; or

(e) the Defaulting Partner shall make an assignment for the benefit of creditors; or

(f) the Partnership Interest of the Defaulting Partner is seized by a creditor of the Defaulting Partner, and the same is not released from seizure within 30 days from the date of notice of seizure.

7.2. Winding Up. Unless otherwise dissolved as provided hereinabove, the Partnership shall continue until dissolved by agreement of the Partners. Upon dissolution by agreement or dissolution as otherwise hereinabove provided, the affairs of the Partnership shall be liquidated and the assets of the Partnership shall be distributed to the Partners pro rata in accordance with their respective capital accounts, to the extent thereof, with any excess distributed pro rata in accordance with each Partner's Partnership Interest, subject to that portion of any Acquisition Loan remaining unpaid which is proportionate to each Partner's respective Partnership Interest. Notwithstanding any provision in these Articles to the contrary, it is acknowledged, understood and agreed by the Partners that the portion of the Tenneco/Enterprise Interest with respect to which certain liens securing indebtedness for money borrowed (the "Prior Liens") have been released (that is, such portion of the Tenneco/ Enterprise Interest on which a lien has been granted to the Banks to secure the A Notes, as such term is defined in the Term Loan Agreement) such interest is during the term of this partnership deemed the Texaco interest and shall be distributed, upon the dissolution of the Partnership for any reason, to Tenneco, free and clear of any Prior Liens and that, upon and after the dissolution of the Partnership, Enterprise, as a Partner, shall have no claim with respect thereto.

ARTICLE VIII

Rights Under Operating Agreement

Each Partner shall be entitled to vote individually, to the extent of such Partner's Partnership Interest in the Partnership's undivided interest in the Facilities, purchase additional interests in the Facilities and otherwise exercise its rights (elective or otherwise) as an Owner under the Operating Agreement, to the extent permitted under the Operating Agreement, and the Partnership itself shall not be considered an Owner under the Operating Agreement for such purposes; provided, however, that all cash settlements pursuant to Article VII of the Operating Agreement shall be received by the Partnership and distributed or otherwise applied in accordance with Article III hereof. All interests in the Facilities presently owned by any Partner outside of this Partnership or later acquired by any Partner by its election to participate in the expansion of the Facilities or the purchase of a selling Owner's interest under the buy-sell provisions of the Operating Agreement, shall not in any event be deemed a Partnership asset or item nor shall the Partnership have

any rights therein unless the Partners shall otherwise agree in writing.

ARTICLE IX

Miscellaneous

9.1. Competing Businesses. It is understood and agreed that in connection. with their activities, duties and obligations hereunder the Partners, or either of them, may have the opportunity to invest in competing ventures or businesses, including without limitation, other ventures or partnerships involving fractionation facilities. Notwithstanding any provision herein contained to the contrary, but subject to Section 5.4 of the Operating Agreement, any Partner, and any or all of its shareholders, officers or directors, shall have the absolute right and authority to own, construct, operate or invest in any business, partnership or venture whatsoever, whether for its or their own account or for the account of others, whether such business partnership or venture shall compete with or be similar to the business, partnership or venture carried on by the Partnership and whether the nature of such business, partnership or venture is such that the Partnership would ordinarily be expected to participate therein, and nothing herein shall require any Partner, or any shareholder, officer or director thereof, to account to the Partnership or to any Partner for the income and profit derived from such business, partnership or venture and nothing herein shall give any Partner the right to participate in any manner whatsoever in such business, partnership or venture.

9.2. Prohibition Against Partition. As a material inducement to each Partner to execute this Agreement, each Partner covenants with and represents that, during the entire term of this Agreement, neither it nor its successors or assigns will attempt or purport to make any partition whatever of the Tenneco/ Enterprise Interest, in whole or in part, or any interest herein, or any other Partnership assets, whether now owned or hereafter acquired, and waives all rights of partition provided by statute or in equity, including partition in kind or partition by sale.

9.3. Right of First Refusal. The Partners expressly acknowledge that any sale or other transfer of their respective Partnership Interest is subject to a right of first refusal held by all other Owners as set forth in the Operating Agreement.

9.4. Exchange of Interests. At such time as may be specified in the Operating Agreement, the Partnership shall ex-

change its undivided 57.1428 percent interest in the Enterprise Facilities (other than its undivided fifty percent interest in the Site) for an undivided fifty percent interest in the Facilities, and the Partners do hereby consent to such exchange as evidenced by their execution of this Agreement and the operating Agreement.

9.5. Assignment. Either Partner may transfer, assign or convey its rights hereunder upon (i) the written consent of the other Partner to such transfer, assignment or conveyance, (ii) such assignment, transfer or conveyance expressly being subject to the terms and provisions of this Agreement; (iii) the contemporaneous assignment, transfer or conveyance by such Partner to such assignee, transferee or grantee of such Partner's interest in and to such Partner's Throughput Agreement (in accordance with the terms thereof); and (iv) such assignee, transferee, or grantee expressly assuming in writing the duties and obligations imposed upon the assigning Partner by this Agreement. Notwithstanding the above, either Partner may transfer, assign or convey its rights hereunder, to any affiliate of such assigning Partner, as long as such assigning Partner complies with the conditions set forth in (ii), (iii) and (iv) above, and upon the further condition that any such transfer, assignment or conveyance shall not cause a termination of the Partnership for federal income tax purposes. This Agreement shall be binding on and inure to the benefit of the Partners, their heirs, legal representatives, successors and/or assigns.

9.6. Notices. All notices provided for under this Agreement shall be in writing and shall be sufficient if sent by certified or registered mail, or if delivered personally return receipt requested, or by telex, confirmed by mail, to the respective Partners at the respective addresses shown below:

Enterprise	Enterprise Products Company P. O. Box 4324 Houston, Texas 77210 Attention: President
Tenneco	Tenneco Oil Company P. O. Box 2511 Houston, Texas 77001 Attention: General Counsel (P&M)

Any Partner may change his address for receipt of notice by notice to the other Partners.

9.7. Amendment. This Agreement may be altered, amended, modified or changed, in whole or in part, only by an instrument in writing signed by both of the Partners. This Agreement shall be binding upon the Partners and their respective successors and assign to the extent assignment is permitted as aforesaid.

9.8. Law. These Articles of Partnership shall be governed by and construed in accordance with the laws of the State of Texas.

IN TESTIMONY WHEREOF, the Partners have executed these Articles of Partnership in multiple original counterparts on this the 17th day of July, 1985.

ENTERPRISE PRODUCTS C0MPANY

By: /s/ O.S. Andras

Name: O.S. Andras
Title: President

TENNECO OIL COMPANY

By: /s/ Michael Falco

Name: Michael Falco
Title: Vice President

EXHIBIT 10.8

FIRST AMENDMENT TO ARTICLES OF PARTNERSHIP OF MONT BELVIEU ASSOCIATES

THIS FIRST AMENDMENT TO ARTICLES OF PARTNERSHIP OF MONT BELVIEU ASSOCIATES (this "First Amendment") is made and entered into effective as of July 15, 1996, by and among Enterprise Products Company., a Texas corporation ("Enterprise"), and Enron Natural Gas Liquids Corporation, a Delaware corporation ("Enron").

WITNESSETH:

WHEREAS, Enterprise and Tenneco Oil Company, a Delaware corporation ("Tenneco Oil"), are parties to those certain Articles of Partnership (the "Articles") of Mont Belvieu Associates, dated July 17, 1985 (the "Partnership"); and

WHEREAS, Enron is a successor in the interest of Tenneco Oil in the Partnership, and

WHEREAS, the Partnership is the owner of an undivided 50% interest (the "Partnership Facilities Interest") in the Facilities; and

WHEREAS, Enterprise is the owner of an undivided 12.5% interest in the Facilities (the "Enterprise Facilities Interest"); and

WHEREAS, Enterprise, Enron and the other owners of the Facilities desire to expand the Facilities to increase their capacity to fractionate Raw Make (as defined in the Operating Agreement); and

WHEREAS, the Partnership wishes to finance its 50% share of the cost of the expansion of the Facilities attributable to the Partnership Interest and to finance the 12.5% share of the cost of the expansion of the Facilities attributable to the Enterprise Interest;

NOW, THEREFORE, for good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. All capitalized terms used herein and not otherwise defined shall have the respective meanings ascribed to such terms in the Articles.

2. The introductory paragraph of the Articles is hereby amended by deleting "TENNECO OIL COMPANY, a Delaware corporation ("Tenneco" from the fourth line of such introductory paragraph and substituting therefor "ENRON NATURAL GAS LIQUIDS CORPORATION, a Delaware corporation ("Enron")".

3. Section 1.1 of the Articles is hereby amended by deleting "Tenneco" from the first line of such Section 1.1 and substituting therefor "Enron."

4. Section 1.3 of the Articles is amended by adding subsections (g) and (h) immediately following subsection (f) of such Section 1.3 to read as follows:

(g) to (i) borrow from Enterprise the Financing Debt, (ii) mortgage, pledge, assign or otherwise create a lien on such assets and properties of the Partnership as may be agreed by the Partners, for the purpose of securing payment of the Financing Debt, (iii) execute and deliver to Enterprise the Financing Agreement, and (iv) modify, rearrange, extend and/or refinance, with Enterprise or one or more banks, financial institutions or insurance companies, the Financing Debt;

(h) to (i) borrow from the Banks the Term Loan Debt for the purpose of financing the cost of the Expansion attributable to the Partnership Facilities Interest and the Enterprise Facilities Interest and to pay financing and other costs and expenses in connection therewith, (ii) mortgage, pledge, assign or otherwise create a lien on such assets and properties of the Partnership as may be agreed by the Partners, for the purpose of securing payment of the Term Loan Debt, (iii) execute and deliver to the Banks the Term Loan Agreement, the Notes (as such term is defined in the Term Loan Agreement) and the other Loan Documents (as such term is defined in the Term Loan Agreement) and (iv) modify, rearrange, extend and/or refinance, with the Banks or one or more other banks, financial institutions or insurance companied, the Term Loan Debt.

5. Section 1.4 of the Articles is hereby deleted in its entirety and the following is substituted therefor:

1.4. Principal Place of Business. The principal place of business of the Partnership shall be maintained at 1400 Smith Street, Houston, Texas 77002 or such other place or places as the Partners may from time to time mutually determine. The Partnership shall not be limited in the conduct of its business to that location, but may conduct its business at any number of locations within and without the State of Texas as may be mutually determined by the Partners to be necessary or desirable.

6. Section 1.6 of the Articles is hereby deleted in its entirety and the following is substituted therefor:

1.6. Definitions. For purposes of this Agreement:

"Affiliate" means, as to the party specified, any Person controlling, controlled by or under common control with such party, with the concept of control in such context meaning the possession, directly or indirectly, of the power to direct or cause direction of the management and policies of another, whether through the partnership or voting securities, or otherwise.

"Amendment" means this First Amendment to Articles of Partnership of Mont Belvieu Associates, as amended, modified or supplemented from time to time.

"Banks" mean the banks parties to the Term Loan Agreement.

"Enterprise Facilities Interest" means the 12.5% undivided interest in the Facilities and the Expansion owned by Enterprise.

"Expansion" has the Meaning specified therefor in the Term Loan Agreement.

"Facilities" means the West Texas Fractionator and the Seminole Fractionator (including the Texaco Facilities), and includes all tanks, machinery, equipment, fixtures, appliances, pipes, valves, fittings and material of any nature whatsoever, all buildings and structures of any kind whatsoever and any and all appurtenances thereto located on the Site, which are necessary for the operation of the facilities, together with all alterations, additions, enlargements, revisions, substitutions or replacements of any kind as may be hereafter made pursuant to the terms of this Agreement, and including the fee estate in the Site and all easements, servitudes, permits or grants required for the operation of the facilities regardless of location.

"Financing Agreement" mean the Financing Agreement dated as of June 1, 1994, among the Partnership and Enterprise, as amended, modified or supplemented from time to time.

"Financing Debt" means the indebtedness for borrowed money owed by the Partnership to Enterprise from time to time under the Financing Agreement.

"Fractionation Agreement" means the agreements described in Section 1.3(e) of this Agreement.

"Managing Partner" means the Managing Partner designated in or appointed pursuant to Section 5.1 hereof.

"Note A" means, collectively, those certain promissory notes dated as of July 16, 1996, of the Partnership respectively payable to the order of the Banks in the aggregate original principal amount of $6,800,000.

"Note A Debt Service" means, for any Monthly Period, without duplication, (i) any principal of, or accrued interest on, Note A paid or payable during such Monthly Period and (H) 40% of the aggregate amount of any fees, penalties and other expenses paid or payable during such Monthly Period by the Partnership under, or in connection with the preparation, negotiation, execution and delivery by the Partnership of, the Term Loan Agreement and related documents.

"Note B" means, collectively, those certain promissory notes dated as of July 16, 1996, of the Partnership respectively payable to the order of the Banks in the aggregate original principal amount of $10,200,000.

"Note B Debt Service" means, for any Monthly Period, without duplication, (i) any principal of, or accrued interest on, Note B paid or payable during such Monthly Period and (il) 60% of the aggregate amount of any fees, penalties and other expenses paid or payable during such Monthly Period by the Partnership under, or in connection with the preparation, negotiation, execution and delivery by the Partnership of, the Term Loan Agreement and related documents.

"Operating Agreement" means the Restated Operating Agreement for the Mont Belvieu Fractionation Facilities, Chambers County, Texas dated as of July 17, 1985, among Enterprise, Texaco Producing Inc., El Paso Hydrocarbons Company and Champlin Petroleum Company, as ratified by the Partnership and as amended, modified or supplemented from time to time.

"Operator" means Enterprise or any successor to Enterprise selected by the Owners to operate the Facilities in accordance with the Operating Agreement.

"Organizational or Administrative Expenses" means all expenses incurred by or on behalf of the Partnership in connection with its formation and organization or in the day-to-day conduct of the business of the Partnership, including, without limitation, legal, accounting and other professional fees, insurance premiums, and filing fees but specifically excluding Operating Expenses and Capital Expenditures, as such terms are defined in the Operating Agreement

"Owners" means the parties to the Operating Agreement who own an interest in the Facilities, directly or indirectly, whether presently or in the future. The term "Owners" as defined herein shall not include any Affiliate of any Owner.

"Partner" or "Partners" means Enron and/or Enterprise as defined in Article 1.1 hereof.

"Partnership Agreement" shall mean the Articles of Partnership dated July 17, 1985, for the Partnership, by and between Enterprise and Tenneco Oil Company, as amended, modified or supplemented from time to time, including without limitation, the Amendment.

"Partnership Facilities Interest" means the 50% undivided interest in the Facilities and the Expansion owned by the Partnership.

"Partnership Interest" means the respective percentages of ownership interests of the Partners as set forth in Section 2.1 hereof.

"Person" means any natural person, corporation, company, partnership, joint venture, association, joint-stock company, trust, foundation, fund, institution, society, union, club or other group organized for any purpose, whether incorporated or not, wherever located and of whatever citizenship; or any receiver, trustee in bankruptcy or similar official or any liquidating agent for any of the foregoing in his or her capacity as such.

"Site" means the tracts or parcels of real property on which the Facilities are situated, as described on Exhibit "A" attached hereto.

"Tenneco/Enterprise Interest" means an undivided 50 percent interest in the Facilities and an undivided 50% interest in the Site.

"Term Loan Agreement" means the Term Loan Agreement dated as of July 16, 1996, among the Partnership, The Chase Manhattan, Bank, as the Agent, and the Banks, as amended, modified or supplemented from time to time.

"Term Loan Debt" means the indebtedness for borrowed money owed by the Partnership from time to time under the Term Loan Agreement.

7. Section 2.1 of the Articles is hereby deleted in its entirety and the following is substituted therefor:

2.1 Interests. Each Partner shall have a Partnership Interest in the Partnership in the percentage set opposite that Partner's name below:

Partner	Partnership Interest
Enterprise	50%
Enron	50%

8. Section 3.1 of the Articles is hereby deleted in its entirety and the following is substituted therefor:

3.1. Allocation of Profits and Losses.

(a) Each item of income, gain or credit realized by the Partnership shall be allocated to the Partners in accordance with their Partnership Interests.

(b) Each item of expense, loss or other deduction realized by the Partnership shall be allocated to the Partners (i) with respect to any expense, loss or other deduction realized by the Partnership relating to the Note A Debt Service, to Enron, (ii) with respect to any expense, loss or other deduction realized by the Partnership relating to the Note B Debt Service, to Enterprise and (iii) with respect to any other expense, loss or other deduction realized by the Partnership, to the Partners in accordance with their Partnership Interests.

9. Section 3.2 of the Articles is hereby deleted in its entirety and the following is substituted therefor:

3.2. Distributions.

(a) Term Loan Proceeds. Amounts aggregating up to $3,400,000.00 shall be distributed to Enterprise in cash solely for the purpose of paying for the costs of the expansion of the Facilities attributable to the Enterprise Interest. Such distributions shall occur at such times and in such amounts, not to exceed $3,400,000.00 in the aggregate, as funds are required by Enterprise to pay such costs.

(B) Other Distributions. The Partnership shall make such other distributions as are approved (by written agreement or otherwise) unanimously by the Partners.

10. Section 3.3 of the Articles is hereby deleted in its entirety and Section 3.4 of the Articles is renumbered as Section 3.3.

11. Section 5.1 of the Articles is hereby deleted in its entirety and the following is substituted therefor:

5.1. Appointment of Managing Partner. The Managing Partner shall be responsible for carrying out the policies of the Partnership as mutually established by the Partners and shall have primary responsibility for the day-to-day conduct of the business of the Partnership. Enron is hereby designated the Managing Partner. Enron shall from time to time designate (with the prior consent of Enterprise, which consent shall not be unreasonably withheld) the Managing Partner, who may be removed at any time by Enron (with the prior consent of Enterprise, which consent shall not be unreasonably withheld) upon at least thirty (30) days' written notice.

12. Section 5.2(a) of the Articles is hereby amended by deleting "pursuant to their respective Throughput Agreements" from the eighth and ninth lines thereof.

13. Section 7.2 of the Articles is hereby deleted in its entirety and the following is substituted therefor:

7.2. Winding Up.

(a) Distribution of Assets. Unless otherwise dissolved as provided in Section 7.1 hereof, the Partnership shall continue until dissolved by agreement of the Partners. Upon dissolution by agreement or dissolution as otherwise provided in Section 7.1 hereof, the affairs of the Partnership shall be liquidated and the assets of the Partnership shall be distributed to the Partners pro rata in accordance with each Partner's Partnership Interest.

(b) Capital Account Deficit. If the Partners' capital account balances are not equal at the time of the distribution of the assets of the Partnership set forth in Section 7.2(a), the Partner with the lesser capital account shall make a contribution to the capital of the Partnership in an amount sufficient to equalize the Partner's capital accounts.

14. Section 9.6 of the Articles is hereby deleted in its entirety and the following is substituted therefor:

9.6. Notices. All notices provided for under this Agreement shall be in writing and shall be sufficient if sent by certified or registered mail, return receipt requested, or if delivered personally or by facsimile, confirmed by mail, to the respective Partners at the respective addresses shown below:

Enterprise: Enterprise Products Company
P.O. Box 4324
Houston, Texas 77210
Attention: President

Enron Enron Natural Gas Liquids Corporation
1400 Smith Street
Houston, Texas 77002
Attention: Vice President and Secretary

Either Partner may change such Partner's address for receipt of notice by notice to the other Partner as provided above.

15. Pursuant to the requirements of section 5.4 of the Articles, the parties hereto hereby consent to the borrowings described in Sections 1.3(g) and (h) of the Articles as added by Section 2 of this First Amendment and to each of the other transactions described in this First Amendment.

16. This First Amendment shall be governed by, and construed in accordance with, the laws of the State of Texas (other than the conflicts of law provisions thereof).

17. Except as expressly amended by this First Amendment, the Partnership Agreement is ratified and reaffirmed and all of the terms, conditions and provisions shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment in multiple counterparts and in a number of copies, each of which shall be deemed an original but all of which shall constitute one and the same instrument, all as of the date first above written.

ENTERPRISE PRODUCTS COMPANY

By: /s/ Gary L. Miller

Gary L. Miller, Executive Vice President

ENRON NATURAL GAS LIQUIDS CORPORATION

By: /s/ Thomas P. Tosoni

Thomas P. Tosoni, Vice President, Finance

EXHIBIT 10.9

PROPYLENE FACILITY AND PIPELINE AGREEMENT

BETWEEN

ENTERPRISE PETROCHEMICAL COMPANY

AND

HERCULES INCORPORATED

EFFECTIVE: DECEMBER 13, 1978

PROPYLENE FACILITY AND PIPELINE AGREEMENT

THIS AGREEMENT, effective this day of , 1978, is made and entered into by and between

ENTERPRISE PETROCHEMICAL COMPANY, a Texas corporation, having an office and place of business at 1100 Milam Building, Houston, Texas 77002 ("Enterprise"),

and

HERCULES INCORPORATED, a Delaware corporation, having an office and place of business at 910 Market Street, Wilmington, Delaware 19899 ("Hercules").

RECITALS

Enterprise is constructing at its site near Mt. Belvieu, Texas a facility to separate polymer grade propylene from a mixed propane-propylene stream. Hercules desires to purchase the polymer grade propylene output of such facility for requirements at its Lake Charles, Louisiana and Bayport, Texas plants, and to participate in the ownership of the facility and certain pipelines connecting it with the mentioned Hercules plants.

Enterprise and Hercules are entering this Agreement for the purpose of confirming their respective rights and obligations in connection with the construction, ownership and operation of the propylene facility and certain related pipelines and the purchase by Hercules of the facility's output of polymer grade propylene.

W I T N E S S E T H

In consideration of the representations and warranties herein made and the agreements hereinafter contained to be kept and performed, Enterprise and Hercules agree as follows:

ARTICLE I

DEFINITIONS

In addition to the terms elsewhere defined in this Agreement, the following terms as used in this Agreement shall have the meanings indicated below:

(1) "Bayport Distribution System" means all or any part of any and all real or personal property, of whatever kind or nature and location, which is required to be constructed or acquired (by lease or otherwise) pursuant to the provisions of this Agreement for receiving, storing, pumping, measuring and transporting Polymer Grade Propylene from the Plant to the point designated in the manner herein set forth at the Bayport, Texas plant of Hercules. Such property includes any and all structures, improvements, facilities, machinery, equipment, furniture and fixtures, leasehold interests, sites, easements, rights-of-way and other interests in land, together with any and all improvements, alterations and additions to such property as may be hereafter made pursuant to the provisions of this Agreement. Said Pipeline System is more particularly described in Exhibit B attached hereto.

(2) "Construction Loan" means that certain agreement, dated October 13, 1977, between First City National Bank of Houston and Enterprise, covering a loan to aid Enterprise in the construction of the Plant.

(3) "Feedstock" means a liquid stream mix of Procane, Propylene and incidential heavier and lighter hydrocarbon fractions and associated impurities, in any proportion.

(4) "Lake Charles Distribution System" means all or any part of any and all real or personal property, of whatever kind or nature and location, which is reauired to be constructed or acquired (by lease or otherwise) pursuant to the provisions of this Agreement for receiving, storing, pumping, measuring and transporting Polymer Grade Propylene from the Plant to the point designate~ in the manner herein set forth at the Lake Charles, Louisiana plant of Hercules. Such property includes any and all structures, improvements, faciiities, machinery, equipment, furniture and fixtures, leasehold interests, sites, easements, rights-of-way and other interests in land, together with any and all improvements, alterations and additions to such property as may be hereafter made pursuant to the provisions of this Agreement. Said Pipeline System is more particulariy described in Exhibit B attached hereto.

(5) "Permitted Encumbrances" means, as of any particular time:

(a) Liens for ad valorem taxes not then delinquent;

(b) This Agreement;

(c) Utility, access and other servi tudes (herein sometimes called "easements") and rights-of-way, restrictions, reservations and EXCEPTIONS THAT Enterprise certifies will not interfere with or impair the operations being conducted on the Plant; and

(d) Such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the Plant and/or Pipeline System, as the case may be, and as do not, in the opinion of counsel acceptable to Enterprise and Hercules, materially impair the property affected thereby for the purpose for which it was acquired or is held by Enterprise.

(6) "Pipeline Systems" means, individually and collectively, the Bayport Distribution System and the Lake Charles Distribution System, as they may at any time exist.

(7) "Plant" means all or any part of (i) the propane-propylene splitter and appurtenant facilities and fixtures for the production of Polymer Grade Propylene which are required by paragraph 2.1A to be constructed, together with any and all improvements, alterations and additions to such property as may be hereafter made pursuant to the provisions of this Agreement; (ii) those items of machinery, equipment and related Property to be acquired and installed in or on the Plant pursuant to paragraph 2.lB and any item of machinery, equipment and related property acquired and installed in or on the Plant in substitution therefor and renewals and replacements thereof pursuant to the provisions of this Agreement; and (iii) the real estate described in Exhibit C attached hereto, together with all additions thereto and substitutions therefor.

(8) "Polymer Grade Propylene" means product meeting the specifications set forth in Schedule A attached to the Propylene Sales Agreement.

(9) "Propane" means light liquid hydrocarbons, predominantly C_3H_8 and conforming to the most current Natural Gas Producers Association specifications for Propane.

(10) "Propylene" means light liquid double bonded hydrocarbons, predominantly C_3H_6.

(11) "Propylene Sales Agreement" means that certain agreement, executed concurrently herewith, between Enterprise, as seller, and Hercules, as buyer, providing for the sale and purchase of Polymer Grade Propylene produced at the Plant. Said Propylene Sales Agreement is attached hereto as Exhibit A.

As used in this Agreement:

(a) All references in this instrument to "Articles", "Sections", "paragraphs" and other subdivisions are to corresponding Articles, Sections, paragraphs and other subdivisions of this instrument.

The words "herein", "hereof", "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section, paragraph or other subdivision.

(b) Words of the singular number shall be construed to include correlative words of the plural number and vice versa.

(c) The word "includes" means including but not limited to.

ARTICLE II

THE PLANT

SECTION 2.1 COMPLETION OF THE PLANT

A. Enterprise shall, at its own risk, cost and expense, cause the construction of the Plant to be continued and completed, wholly within the boundaries of the parcel of land described in Exhibit C attached hereto. Said Plant shall consist of a splitter and appurtenant facilities and fixtures for the separation of Polymer Grade Propylene from mixed propane-propylene streams, and shall include all facilities and fixtures necessary for the production, storage, distribution and sale of Polymer Grade Propylene and allied products and for the operation, maintenance and repair of the Plant as a complete and modern manufacturing facility dedicated to and suitable for the purpose hereinafter stated. The Plant shall have a minimum annual capacity of 315 million pounds of Polymer Grade Propylene at 99.5% purity or 380 million pounds at 98% purity, subject to being supplied with the requisite quantities of Feedstocks meeting the specifications set forth in Exhibit E attached hereto.

B. Enterprise shall, at its own risk, cost and expense, continue to procure and install, or cause to be procured and installed, in or on the Plant, the items of machinery, equipment and related property which are more particularly, but not exclusively, described in the general list thereof in Exhibit D attached hereto, together with such other items of machinery, equipment and related property which may be necessary for operation, maintenance and repair of the Plant.

C. Enterprise shall have full responsibility for the supervision, direction and coordination of all phases of procurement, construction and installation with respect to the Plant.

D. Enterprise shall, as such payments become due, pay all costs and expenses incurred in connection with the construction of the Plant and the acquisition and installation of the items of machinery, equipment and related property referred to in paragraph 2.1B, including all costs and expenses incurred or accrued in connection with the acquisition of (i) all labor, materials, equipment and tools, (ii) all necessary permits, consents, approvals, licenses, certificates and other authorizations, and (iii) all necessary easements, rights-of-way and other interests in land.

E. Enterprise shall cause the construction of the Plant and the procurement and installation of the items of machinery, equipment and related property referred to in paragraph 2.1B to be performed with all reasonable dispatch, in workmanlike manner and consistent with good engineering and construction practices and in accordance with all applicable laws. Enterprise shall use its best efforts to cause such construction, procurement and installation to be completed by December 31, 1978, or as soon

thereafter as may be practicable, delays incident to strikes, acts of God or other causes beyond the reasonable control of Enterprise only excepted.

F. Enterprise shall have the right to subcontract such portions of the engineering and construction work as it shall deem advisable, and to procure materials and equipment from such vendors as it shall deem advisable.

SECTION 2.2 ACQUISITION AND SALE OF 50% INTEREST 1N THE PLANT

A. Contemporaneously with the execution of this Agreement, Hercules shall purchase from Enterprise, and Enterprise shall sell, assign and convey to Hercules, a 50% undivided interest in and to the Plant, all for the purchase price and subject to and upon the other terms and conditions set forth below in this Section 2.2.

B. The price to be paid by Hercules to Enterprise for the 50% undivided interest in and to the real property upon which the Plant is to be constructed, as described in Exhibit C attached hereto, shall be 50% of the actual cost, not to exceed $95,000.00, and shall be paid in cash simultaneously with the conveyance thereof, as provided in Article VII.

C. The price to be paid by Hercules to Enterprise for the 50% undivided interest in and to the Plant (exclusive of real property referred to in paragraph 2.2B) shall be: (i) an amount equal to 50% of the final book investment of Enterprise for the Plant (exclusive of real property referred to in paragraph 2.2B) as of the date of completion of construction, plus 50% of construction loan interest accrued prior to Hercules' acquisition

of said interest in and to the Plant, said amount (including book investment and interest) not to exceed $6.325 million; plus (ii) 50% of Plant Start-Up Costs (as defined below in this Article), not to exceed $200,000.00. Payment shall be made as follows:

(1) 50% of all Plant Start-Up Costs (as defined below in this Article) incurred or accrued prior to actual delivery of the 50% undivided interest in and to the Plant shall be paid in cash simultaneously with the conveyance thereof, as provided in Article VII, and 50% of all Plant Start-Up Costs (as defined below in this Article) thereafter incurred shall be paid in cash within 20 days of payment thereof by Enterprise;

(2) 50% of the interest incurred or accrued prior to Closing (as hereinafter defined) under the Construction Loan Agreement is to be paid in cash at the time of Closing (as hereinafter defined); and

(3) 50% of the book value of the Plant (exclusive of real property referred to in paragraph 2.2B) is to be paid (i) by an initial installment equal to 50% of all costs and expenses incurred prior to the Closing (as hereinafter defined) in connection with the construction of the Plant and the acquisition of the items of machinery, equipment and related property referred to in paragraph 2.1B; and (ii) by monthly installments in amounts sufficient to reimburse Enterprise for all costs and expenses (other than permanent financing interest accruing after the Closing, as hereinafter defined) paid after the Closing (as hereinafter defined) in connection with the construction of the Plant and the acquisition of the items of machinery, equipment and related property referred to in paragraph 2.1B. Each such monthly installment shall cover payments made by Enterprise in the month preceding reimbursement by Hercules, and shall be paid by Hercules within 20 days after receipt of properly certified invoices, approved by Hercules. All invoices shall be accompanied by such relevant vouchers, invoices and other documents as Hercules may require.

Such terms of payment are subject to revision in the event Hercules and Enterprise are able to obtain more favorable permanent financial terms than those contained in the Construction Loan Agreement.

D. There shall be no apportionment of such items as taxes, water charges and the like, since all normally adjustable items shall be paid by Enterprise either as vendor or as tenant under this Article.

E. As used in this Section, "Plant Start-Up Costs" means all reasonable direct costs and expenses incurred by Enterprise for the introduction of process materials into the operating unit of the new facility and not capitalized. Such costs and expenses shall include those specified in Exhibit F attached hereto, and shall be determined in accordance with the provisions of said Exhibit F.

SECTION 2.3 GUARANTEES

A. Enterprise guarantees to Hercules that the completed Plant, when supplied with the requisite quantities of Feedstocks meeting the specifications set forth in Exhibit E attached hereto, will produce Polymer Grade Propylene at a production rate of 315 million pounds per year at 99.5% purity and 380 million pounds per year at 98% purity.

B. Enterprise, for itself and its subcontractors, guarantees to Hercules that:

(1) all design, engineering, construction, procurement and installation services performed in connection with the construction of the Plant will comply with all laws, ordinances, orders, rules and regulations of all Federal, State and local authorities of competent jurisdiction and will be in conformity with sound and currently acceptable engineering and construction practices and experience; and

(2) all work performed in connection with the construction of the Plant will be free from defects in

workmanship and materials for a period of 18 months after successful performance of the performance guarantees set forth in paragraph 2.3A.

Enterprise shall, as soon as practicable, correct, repair or replace any defective material or workmanship within said 18 month period and shall make such alterations and assume such costs as may be necessary to cause the Plant to be free from defects.

C. Enterprise shall obtain from vendors, manufacturers and other contractors, for the benefit of Enterprise and Hercules, such guarantees and/or warranties as are reasonably obtainable.

SECTION 2.4 DEMISING CLAUSE

Hercules leases to Enterprise, and Enterprise leases from Hercules, the 50% undivided interest to be acquired by Hercules from Enterprise, as provided in Section 2.2, in and to the Plant, to have and to hold the Plant during the period, at the rental and upon the terms and conditions hereinafter provided.

SECTION 2.5 TERM OF LEASE AND RENTAL PROVISIONS

A. The Plant shall be leased for a period commencing on the date upon which Hercules acquires a 50% undivided interest therein and ending 11:59 p.m. on the date of expiration of this Agreement, including any extensions thereof, (as such term is provided for in Section 11.1), both dates inclusive; provided, that such lease term may be terminated by cancellation or other termination of this Agreement as is provided for in Section 11.2.

As to the interest in the Plant leased hereunder, the initial lease term and any extension thereof hereunder are collectively referred to hereinafter as the "Lease Term".

B. Enterprise shall pav Hercules, without previous demand therefor and without deduction or setoff (including deductions or setoffs due or alleged to be due by reason of any past, present or future claims of Enterprise against Hercules under this Agreement or under the Propylene Sales Agreement, or otherwise), as rent for use of the leasehold estate created in Section 2.4, a sum which equals 3.5 cents per gallon for 50% of all Polymer Grade Propylene produced at the Plant; provided, however, that commencing January 1, 1981, the sum payable as rent during that year and each year thereafter shall equal 4 cents per gallon for 50% of all Polymer Grade Propylene produced at the Plant. Within 15 days after the end of each month during the Lease Term, Enterprise shall furnish to Hercules a statement, certified as true and correct by Enterprise, setting forth the number of gallons of Polymer Grade Propylene produced at the Plant during the preceding month.

C. The rents specified in paragraph 2.5B are predicated upon production levels at the Plant of 180 million pounds of Polymer Grade Propylene in 1979, 200 million pounds in 1980, 315 million pounds in 1981 and 380 million pounds in 1982 and subsequent years. Enterprise agrees that if actual production of Polymer Grade Propylene does not at least equal these levels, the difference between the amount of rent paid based on actual production and the amount of rent that would have been payable at the applicable level mentioned above shall be paid as additional rent to Hercules; but only to the extent that requisite quantities of Feedstocks meeting the specifications set forth in Exhibit E

attached hereto are obtainable, either by Enterprise or Hercules. If Enterprise fails to give Hercules at least 180 days prior written notice of a potential shortfall in supply of specification Feedstocks, Enterprise shall pay to Hercules, as additional rent, the full difference between the amount of rent paid based on actual production and the amount of rent that would have been payable at the applicable level mentioned above; but only if Hercules can demonstrate by reasonable evidence that such Feedstocks were obtainable.

D. In the event Hercules should fail in any year to take delivery of the applicable quantities specified in paragraph 2.8A, Enterprise shall be relieved of its obligation under paragraph 2.5B to pay rent.

E. In the event Enterprise should fail to make any of the payments required under this Section 2.5 when due and payable, the leasehold estate created in Section 2.4 shall be in default. Hercules shall have the right (but not the obligation) to waive any such default as to the termination of this Agreement or to extend the payment date; however, any such waiver or extension shall not absolve Enterprise from its obligation to pay all unpaid rents. All unpaid rents shall continue as an obligation of Enterprise until such amount shall have been fully paid, with interest thereon at a rate, per annum, on the overdue payments for the period of time during which they are overdue, equal to 1.5% over the prime commercial lending rate, then in effect, of Citibank, New York, New York, or if said rate is legally unenforceable, then such lesser amount as may be legally enforceable.

F. Enterprise shall make all rental payments to Hercules in immediately available funds, at a bank in Wilmington, Delaware designated by Hercules, or to such other person and/or at such other place as Hercules or Hercules' assignee may designate in writing. All such payments shall be made concurrently with the furnishing of the statement provided for in paragraph 2.5B.

G. Enterprise shall keep and retain at its principal offices complete and accurate books, records and accounts to record and reflect the amount of Polymer Grade Propylene produced at the Plant and all other business transacted at the Plant. Hercules and its representatives shall have the unrestricted right at all reasonable times during regular business hours, at such offices, to audit, examine and make copies of and extracts from any and all of such books, records and accounts (and supporting materials). Enterprise shall preserve and make available the above books, records and accounts for a period of 5 years following the end of the calendar year to which they pertain.

H. Hercules may require that the records and accounts of Enterprise referred to in paragraph 2.5G be audited at the conclusion of each business year of Enterprise, or more often if Hercules questions the certified statements furnished by Enterprise. The cost of these audits shall be paid by Hercules unless the certified statement is found inaccurate by an independent certified public accountant, in which case Enterprise shall bear all costs and expenses of the audit and immediately pay any rental due.

I. All taxes, charges, costs and expenses which Enterprise assumes or agrees to pay hereunder, together with (i) all interest and penalties that may accrue thereon in the event

of Enterprise's failure to pay the same as herein provided, (ii) all other damages, costs and expenses which Hercules mav suffer or Incur, and (iii) any and all other sums which may become due by reason of any default of Enterprise or failure on Enterprise's part to comply with the agreements, terms, covenants and conditions of this Agreement on Enterprise's part to be performed, and each or any of them, shall be deemed to be additional rent. In the event of nonpayment of any of them, Hercules shall have all the rights and remedies herein provided in the case of nonpayment of rent.

SECTION 2.6 USE CLAUSE

Enterprise shall only use the demised premises for separation of Polymer Grade Propylene and propane from a mixed propane-propylene stream. Such premises shall not be used for any other purpose without Hercules' prior written consent.

SECTION 2.7 OPERATION OF THE PLANT

A. Enterprise shall assume full and sole responsibility for the operation and management of the Plant. Enterprise shall conduct all operations, maintenance and repairs of the Plant at its own risk, cost and expense, supplying all and every item or items of expense it deems necessary or desirable for such operations, maintenance and repairs. It is specifically understood and agreed that in no event shall Hercules be liable for any cost or expense incurred by Enterprise in conducting operations, maintenance and/or repairs at the Plant.

B. Enterprise shall operate, maintain and repair the Plant in accordance with accepted good practices, and shall use all due diligence to continuously Produce for Hercules such quantities of Polymer Grade Propylene as are at least sufficient to cover the requirements of Hercules for such product under the Propylene Sales Agreement; subject, however, at all times to the capacity limitations of the Plant and to interruption for scheduled maintenance shutdowns or turnarounds of approximately 15 days during any year.

C. Enterprise shall be entitled to all revenues and profits arising out of the operations at the Plant; all expenses, losses and liabilities incurred, accruing or resulting from such operations shall be borne solely by Enterprise.

SECTION 2.8 DISPOSITION AND STORAGE OF PRODUCT

A. All propylene, propane, light ends, heavy fractions and waste produced at the Plant shall be disposed of as follows:

(1) Hercules shall take Polymer Grade Propylene produced at the Plant as follows:

During 1979 and 1980, Enterprise shall sell and deliver to Hercules, and Hercules shall purchase from Enterprise, a total of 50 and 150 million pounds, respectively each year, of Polymer Grade Propylene. Beginning in 1981, and throughout the continuation of this Agreement, including any renewal thereof, Enterprise shall sell and deliver to Hercules, and Hercules will purchase from Enterprise, the full output of the Plant of Polymer Grade Propylene, which is estimated to be 315 million pounds at 99.5% purity in 1981 and 380 million pounds at 98% purity in 1982 and thereafter. All such Polymer Grade Propylene shall be sold by

Enterprise to Hercules under the terms set forth in the Propylene Sales Agreement, which Enterprise and Hercules shall enter into concurrently herewith.

(2) Prior to January 1, 1981, Enterprise may sell to any firm or firms such quantities of propylene as may be in excess of that required for supply to Hercules under the Propylene Sales Agreement.

(3) Propane produced at the Plant (other than the propane sold to Hercules as part of propylene on a contained basis) shall be taken by Enterprise. All other by-products (including light ends and heavy fractions) and waste resulting from operation of the Plant shall likewise be taken by Enterprise. Enterprise shall take all such by-products and waste in kind for further processing, sale, storage or disposal, or shall otherwise dispose thereof, all without cost or compensation to Hercules.

B. Enterprise has leased until April 1, 1983 certain salt dome caverns and related storage facilities at Mt. Belvieu, Texas for the storage underground and handling of 1 million barrels of Feedstocks and 500,000 barrels of Polymer Grade Propylene. In connection with the use thereof, Enterprise shall provide, or cause to be provided, all attendant connecting pipelines pumps, meters and other appurtenant equipment and facilities necessary for the storage and handling of Feedstocks required for the Plant and Polymer Grade Propylene produced at the Plant. Beginning on January 1, 1979, Hercules shall reimburse Enterprise for the actual lease costs for Polymer Grade Propylene storage, not to exceed $315 thousand per year. Beginning on January 1, 1980, Hercules shall reimburse Enterprise for 50% of the actual lease costs for Feedstocks storage, not to exceed $313 thousand per year.

C. After April 1, 1983, Enterprise shall provide, or cause to be provided, storage capacity at Mt. Belvieu, Texas sufficient to meet the then requirements for Feedstocks and Polymer Grade Propylene at the Plant. Such capacity shall be made available by Enterprise at the rental and upon such other terms

and conditions as may be mutually agreed upon by Enterprise and Hercules. Said mutually agreed upon rent shall not exceed actual lease costs or, in the case of facilities owned by Enterprise and/or any of its affiliates, the prevailing rent then payable by major oil or chemical companies for comparable storage facilities in the Gulf Coast area.

D. Storage of Polymer Grade Propylene shall be in accordance with a storage agreement to be entered into between Enterprise and Hercules as soon as practicable after the execution of this Agreement, said storage agreement to contain provisions consistent with this Agreement and mutually satisfactory to both Enterprise and Hercules.

SECTION 2.9 MAINTENANCE AND MODIFICATIONS

A. Enterprise shall, at all times during the Lease Term, and at its own cost and expense, maintain and keep the Plant in good repair and operating condition, making from time to time any and all repairs thereto and renewals and replacements thereof sufficient for the operation of the Plant for the uses herein specified. Enterprise shall use all reasonable precautions to prevent waste, damage or injury to the Plant. This obligation of Enterprise with respect to repairs and maintenance is intended and understood to cover and include the entire Plant and each part and portion thereof (including all structures, fixtures, machinery, equipment and related property which at any time during the Lease Term shall be erected or installed thereon or therein), both inside and outside, structural or non-structural, extraordinary or ordinary, and whether the same be determined to be in the nature of real property, personal property or mixed. It is further intended and understood that said obligation covers and includes

repairs, renewals and replacements howsoever the necessity or desirability therefor may occur, and whether or not necessitated by wear and tear.

B. The necessity for and adequacy of repairs to the Plant and each part and portion thereof (including all structures, fixtures, machinery, equipment and related property which at any time during the Lease Term shall be erected or installed thereon or therein) pursuant to this Agreement shall be measured by the standard which is appropriate for facilities of similar construction and class; provided that Enterprise shall in any event make all repairs necessary to avoid any structural damage or injury to the Plant.

C. Notwithstanding the provisions of paragraph 2.9A, in any instance where Enterprise in, its sound discretion determines that any items of machinery, equipment and related property installed in or brought by Enterprise on the Plant at any time during the Lease Term pursuant to this Agreement (such machinery, equipment and related property (i) consisting of each item more particularly, but not exclusively, described in the general list attached to this Agreement as Exhibit F and each item of machinery, equipment and related property installed in or brought by Enterprise on the Plant pursuant to this Agreement in substitution therefor and/or renewals or replacements thereof, and (ii) collectively and individually hereinafter called "Plant Equipment") have become inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary, the following provisions shall apply:

(1) Enterprise may remove such items of Plant Equipment from the Plant and sell, trade in, exchange or otherwise dispose of them (as a whole or in part) without compensation to Hercules therefor, but only where such

Plant Equipment is replaced, or substitution therefor is installed anywhere on the Plant, by other machinery, equipment or related property having equal or greater value and utility (but not necessarily having the same function) in the operation of the Plant as a modern industrial plant; and provided such removal and substitution shall not impair operating utility. All such substituted machinery, equipment or related property shall be free of all liens and encumbrances (other than Permitted Encumbrances) and shall become a part of the Plant.

(2) In the event such removal causes damage to existing buildings, structures or Plant Equipment not being removed, the restoration and repair of such damage shall be made at the cost and expense of Enterprise.

(3) The removal from the Plant of any portion of the Plant Equipment pursuant to the provisions of this Section shall not entitle Enterprise to any abatement or diminution of the rents payable under paragraph 2.5B.

(4) Enterprise will promptly report to Hercules each removal, substitution, sale and other disposition under this Section; provided, that unless otherwise requested by Hercules, no such report need be made until the amount of all such sales, trade-ins or other dispositions not previously reported aggregates at least $100,000. Enterprise shall not remove, or permit the removal of, any of the Plant Equipment from the Plant except in accordance with the provisions of this paragraph 2.9C.

D. In the event that Enterprise shall at any time during the Lease Term fail, neglect or refuse to make or do any and all repairs or maintenance required to be made or done by it under the terms and provisions hereof, then Hercules, upon 10 days' prior written notice and the failure of Enterprise to make or do, or undertake and diligently pursue to make or do, the required repairs or maintenance within such time, may make or do such repairs or maintenance for the account of Enterprise (but shall be under no obligation to do so), and any costs and expenses incurred or paid by Hercules therefor, together with interest

thereon at the rate, per annum, specified in paragraph 2.5E hereof, shall be charged against Enterprise and shall be deemed a part of and paid with the next installment of rent payable by Enterprise to Hercules hereunder. Enterprise hereby waives the provisions of all statutes or laws, whether now in force or hereafter adopted, permitting Enterprise to make repairs at the expense of or for the account of Hercules, or to terminate a lease by reason of the condition of the premises leased by Enterprise.

E. All work done pursuant to paragraphs 2.9A, B, C and D shall be done in a good and workmanlike manner and in accordance with all applicable laws. Title to any and all repairs, renewals and replacements to the Plant or any part thereof shall upon their completion vest in Enterprise and Hercules in proportion to their respective interests in the Plant and shall be subject to this Agreement.

F. Hercules shall not be liable for or be called upon at any time during the Lease Term to make any repairs or replacements of any part of the Plant, or any improvements, additions or alterations, under any conditions whatsoever. The intention of this Agreement is that the rent received by Hercules shall be free and clear from any expenses in connection with the maintenance or repair to the Plant or any improvements on equipment at any time thereon.

SECTION 2.10 SERVICES

Hercules shall not be under any obligation to furnish any service to the Piant, including gas, heat and electric

current, and shall not be liable for any failure of water supply or electric current or of any service by any utility. Enterprise shall pay to the persons furnishing the same, when and as the same become due and payable, and shall hold Hercules and its successors harmless from and against, all charges for water, heat, gas, electricity, power, refuse disposal and other utilities furnished to and used at or in connection with the construction, operation, maintenance, use, occupancy and upkeep of the Plant.

SECTION 2.11 CASUALTY AND CONDEMNATION

A. Except as hereinafter provided, the loss, irreparable damage or destruction of all or a part of the Plant by reason of any cause whatsoever, or the taking or requisition thereof for any public or quasi-public purpose by any lawful power or authority, by the exercise of the right of condemnation or eminent domain or by agreement between Enterprise, Hercules and those authorized to exercise such right (hereinafter collectively called "Casualty Occurrences"), shall not terminate this Agreement or diminish the obligations of Enterprise hereunder, any law, rule or regulation to the contrary notwithstanding. Enterprise shall as soon as practicable notify Hercules in writing of any material loss or destruction by Casualty Occurrence affecting the Plant.

B. Unless otherwise agreed upon by Enterprise and Hercules, in the event that any Casualty occurrence results in damage to or impairment of the value or the use of the Plant, and such damage or impairment does not constitute a total or substantial loss as provided in paragraph 2.11C, Enterprise shall (i) promptly commence and thereafter proceed with all reasonable diligence to repair, restore or reconstruct the Plant to the

extent necessary to re-establish the value and use thereof, with such changes, alterations and modifications (including the substitution and addition of other property) as may be desired by Enterprise and approved by Hercules and as will not impair operating unity or productive value of the Plant; and (ii) apply for such purpose so much as may be necessary of any net proceeds of any condemnation award and/or insurance required to be carried in Section 8.4 resulting from claims for losses. In the event such net proceeds are not sufficient to pay in full the costs of such repair, restoration or reconstruction, Enterprise shall nonetheless complete such work and Enterprise and Hercules shall each pay one-half of that portion of the costs thereof in excess of the amount of said net proceeds.

C. Unless otherwise agreed upon by Enterprise and Hercules, in the event any Casualty Occurrence shall result in a total or substantial loss of the Plant, that is, any loss, damage or destruction for which the cost of repair or restoration exceeds 50% of the replacement cost of the Plant or $6 million, whichever is the greater, Enterprise and Hercules shall each have the right (but shall be under no obligation) to repair, restore or reconstruct the Plant to the extent necessary to re-establish the value and use thereof, applying for such purpose so much as may be necessary of any net proceeds of any condemnation award and/or insurance required to be carried in Section 8.4 resulting from claims for losses. In the event such net proceeds are not sufficient to pay in full the costs of such repair, restoration or reconstruction, the party(s) electing to complete such work shall pay for that portion of the costs thereof in excess of the amount of said proceeds. Neither Enterprise nor Hercules shall, by reason of the payment of such excess costs, be entitled to any reimbursement from the other party hereto, and all assets acquired

as a part of such repair, restoration or reconstruction, by construction or otherwise, shall be the exclusive property of the party(s) paying for such acquisition. In the event of payment of such excess cost by Hercules or Enterprise, the rentals payable under this Agreement shall be adjusted to reflect the change in percentage of ownership of the Plant.

D. In any case where the use of the Plant is adversely affected by any Casualty Occurrence, there shall be either an abatement or an equitable reduction in compensation payable under paragraph 2.5B. The amount of such abatement or reduction shall depend on the period for which and the extent to which the Plant is not reasonably usable for the purpose for which an interest therein is leased hereunder.

ARTICLE III

FEEDSTOCKS

SECTION 3.1 SUPPLY OF FEEDSTOCKS

A. Enterprise shall provide for the period commencing with the effective date hereof and ending December 31, 1992, Feedstocks in sufficient quantities to enable it to produce at the Plant such quantities of Polymer Grade Propylene as are necessary to meet Enterprise's obligations to supply such propylene under the Propylene Sales Agreement; subject, however, at all times to the capacity limitations of the Plant. Such supply shall be without cost or expense to Hercules.

B. At the expiration of the aforesaid period (ending December 31, 1992), Enterprise shall, if requested to do so by Hercules, use its best efforts to supply, for the continuation of this Agreement and any extended term(s) thereof, Feedstocks for production at the Plant of such quantities of Polymer Grade Propylene as are necessary to meet Enterprise's obligations to supply such propylene under the Propylene Sales Agreement; subject, however, at all times to the capacity limitations of the Plant. Said Feedstocks, if obtained, shall be without cost or expense to Hercules and shall be dedicated to production that shall be sold by Enterprise pursuant to the Propylene Sales Agreement.

C. Enterprise shall, at its own risk, cost and expense, construct, install, own, operate and maintain on its site near Mt. Belvieu, Texas, all equipment and related facilities, including pipelines, pumps, meters and other appurtenances, necessary for the supply of Feedstocks and for the return to Enterprise of by-products produced in the propane-propylene separation process at the Plant, as such return is provided for under paragraph 2.8A(3).

D. Title to Feedstocks provided by Enterprise hereunder shall at all times remain in Enterprise.

SECTION 3.2 RIGHT TO SUPPLY FEEDSTOCKS

A. Hercules may from time to time provide (but shall be under no obligation to do so) such additional quantities of Feedstocks as may be required for maximum production at the

Plant, but only those quantities which are in excess of that available under contracts between Enterprise and third parties. In such event, title to all such Feedstocks shall from and after delivery to the Plant be in Hercules, and title to all products and by-products produced therefrom shall until delivery to Hercules be in Hercules, save and except that all propane and other light ends and heavy fractions resulting as by-products of the separation process shall be retained by Enterprise for its own account, subject to payment of reasonable compensation therefor to Hercules. Enterprise and Hercules shall from time to time mutually agree upon a tolling fee for the Polymer Grade Propylene, which shall be equal to reasonable direct operating costs plus 2 cents per gallon of Polymer Grade Propylene.

B. Enterprise shall guarantee that the losses of Feedstocks supplied by Hercules, if any, will not exceed 2%. Enterprise shall reimburse for excess loss at the value of such Feedstocks plus all transportation, warehousing and handling charges which Hercules has already paid or becomes obligated to pay for the Feedstocks.

ARTICLE IV

TECHNOLOGY

For and in consideration of the agreements herein contained to be kept and performed by Hercules, Enterprise hereby grants to Hercules a non-exclusive right and license to use the technical and operational information and data outlined in Exhibit G attached hereto. Said information and data relate to

processes, apparatus and compositions used for separation of polymer grade propylene from mixed propane-propylene streams. The terms and conditions under which the patents, information and data are to be disclosed and made available are contained in said Exhibit G.

ARTICLE V

PIPELINE SYSTEMS

SECTION 5.1 CONSTRUCTION OF PIPELINES

A. Subject to the provisions of Section 5.4, Enterprise shall continue, with diligence and continuity, and at its own risk, cost and expense, to design, engineer, construct and equip the following pipelines:

(1) a pipeline commencing at a location which shall be selected by mutual agreement between Hercules and Enterprise on the property line of the Plant and extending to a point which shall be selected by mutual agreement between Hercules and Enterprise on the property line of the property on which the Goodyear Beaumont Chemical Plant, southwest of Beaumont, Texas, is situated;

(2) a pipeline commencing at the terminus east of the Sabine River of the pipeline leased from Mobil Oil Company pursuant to Section 5.2 and extending to a point which shall be selected by mutual agreement of Hercules and Enterprise on the property line of the property on which Hercules' plant near Lake Charles, Louisiana is situated; and

(3) a pipeline commencing at the terminus near La Porte, Texas of the pipeline leased from Mobil oil Company pursuant to Section 5.2 and extending to a point which shall be selected by mutual agreement of Hercules and Enterprise on the property line of the property on which Hercules' plant near Bayport, Texas is situated.

Such pipelines shall include all pumps, meters and related equipment and facilities which may be necessary for the distribution and storage of Polymer Grade Propylene and allied products and for the operation and maintenance of each pipeline as part of a complete and modern closed petrochemical pipeline system dedicated to and adequate for the purposes hereinafter stated. Said pipelines shall have a nominal throughput capacity of 380 million pounds per year from Mt. Belvieu, Texas to Bayport, Texas; 380 million pounds per year from Mt. Belvieu, Texas to Beaumont, Texas; and 510 million pounds per year from Beaumont, Texas to Lake Charles, Louisiana.

B. Enterprise shall have full responsibility for the supervision, direction and coordination of all phases of procurement, construction and installation with respect to the pipelines, pumps, meters and related equipment and facilities referred to in paragraph 5.1A and for the acceptance or rejection thereof.

C. Enterprise shall, as such payments become due, pay all costs and expenses incurred in connection with the design, engineering, construction and equipping called for by paragraph 5.1A, including all cost and expenses incurred or accrued in connection with the acquisition of (i) all labor, materials, equipment and tools, (ii) all permits, consents, approvals, licenses, certificates and other authorizations, and (iii) all easements, rights-of-way and other interests in land.

D. Enterprise shall cause the design, engineering, construction and equipping called for by paragraph 5-1A to be performed with all reasonable dispatch, in workmanlike manner and consistent with good engineering and construction practices and in accordance with all applicable laws.

E. During the construction period, Enterprise shall:

(1) prepare monthly engineering and construction progress reports and progress cost statements, showing cumulative commitments, expenditures and construction progress to date, in relation to the cost estimate; and

(2) in general, keep Hercules advised of developments in all phases of the construction work, particularly those which may affect the cost of construction or completion date.

F. upon completion of each of the Pipeline Systems, Enterprise shall deliver to Hercules "as-built" drawings.

G. Enterprise shall have the right to subcontract such portions of the design, engineering, construction and equipment work as it shall deem advisable and to procure materials and equipment from such vendors as it shall deem advisable.

SECTION 5.2 LEASE OF MOBIL PIPELINES

Enterprise shall exercise its best efforts to negotiate and enter into:

(1) a lease, in assignable form and satisfactory in scope, substance and form to Hercules, from Mobil Oil Company or its affiliate, as lessor, to Enterprise, as

lessee, covering the petroleum products pipeline commencing at a point near Mt. Belvieu, Texas and extending under the Houston, Texas ship channel to a point near La Porte, Texas (such pipeline, if acquired by lease, shall constitute part of the Pipeline Systems); and

(2) a lease, in assignable form and satisfactory in scope, substance and form to Hercules, from Mobil Oil Company or its affiliate, as lessor, to Enterprise, as lessee, covering the petroleum products pipeline commencing at the Goodyear Beaumont Chemical Plant, southwest of Beaumont, Texas, and extending under the Sabine River to its terminus at a point east of such river (such pipeline, if acquired by lease, shall constitute part of the Pipeline Systems).

SECTION 5.3 COMPLETION DATE

Enterprise shall use its best efforts to cause the segment of the Lake Charles Distribution System beginning at Mt. Belvieu, Texas and terminating at Beaumont, Texas to be completed April 1, 1979, and the remaining portions of the Lake Charles Distribution System and the Bayport Distribution System to be completed by July 1, 1979, or as soon thereafter as may be practicable, delays incident to strikes, acts of God or other causes beyond the reasonable control of Enterprise excepted.

SECTION 5.4 ACQUISITION AND SALE OF INTERESTS IN THE PIPELINE SYSTEMS

A. Contemporaneously with the execution of this Agreement, Hercules shall purchase from Enterprise, and Enterprise shall sell, assign and convey to Hercules, a 50% undivided interest in and to each Pipeline System, all for the purchase price and on the other terms and conditions hereinafter set forth.

B. The purchase price to be paid by Hercules to Enterprise for each of the 50% undivided interests referred to in paragraph 5.4A shall be an amount equal to 50% of the final book investment (excluding any interest charges) of Enterprise for said Pipeline System, not to exceed $4.66 million, in the aggregate, for both the Lake Charles and Bayport Distribution Systems. Such ceiling does not include actual lease costs for pipelines referred to in Section 5.2; it pertains only to capital costs. Payment shall be made by monthly installments in amounts sufficient to reimburse Enterprise for all costs and expenses referred to in paragraph 5.1C that are paid in the preceding month. Each such installment is to be paid by Hercules within 20 days after receipt of properly certified invoices, approved by Hercules. All invoices shall be accompanied by such relevant vouchers, invoices and other documents as Hercules may require.

SECTION 5.5 GUARANTEES

A. Enterprise, for itself and its subcontractors, guarantees to Hercules that:

(1) all design, engineering, construction and equipping services performed in connection with the construction of the Pipeline Systems and/or the construction and installation of all equipment and facilities appurtenant thereto, including pipelines, pumps, meters and other equipment and facilities associated with the Pipeline Systems, will comply with all laws, ordinances, orders, rules and regulations of all Federal, State and local authorities of competent jurisdiction and will be in conformity with sound and currently acceptable engineering and construction practices and experience; and

(2) all work performed in connection with the design, engineering, construction and equipping of the Pipeline Systems, including the construction and

installation of all pipelines, pumps, meters and appurtenant equipment and facilities, will be free from defects in workmanship and materials for a period of 18 months after installation.

Enterprise shall, as soon as practicable, correct, repair or replace any structures, facilities or equipment found to be defective in material or workmanship within said 18 month period and shall make such alterations and assume such costs and expenses as may be necessary to cause the Pipeline Systems to be free from defects.

B . Enterprise shall obtain from vendors and manufacturers, for the benefit of Enterprise and Hercules, such guarantees and/or warranties as are reasonably obtainable.

SECTION 5.6 OPERATION OF PIPELINE SYSTEMS

A. Enterprise shall undertake to operate and maintain the Pipeline Systems in accordance with the terms and provisions of this Agreement, when and if the following conditions have been fully met:

(1) all applicable approvals, permits, licenses, certificates and other authorizations required for the safe construction and operation of the Pipeline Systems shall have issued;

(2) all consents, licenses, easements, rights-of-way and other interests in land necessary or desirable for construction and operation of the Pipeline Systems shall have been obtained; and

(3) all insurance coverage described in Section 8.4 shall have issued.

B. Hercules hereby engages Enterprise, and,Enterprise hereby undertakes, as an independent contractor and not as an

agent of Hercules, to operate and maintain the Pipeline Systems solely (except as hereinafter provided in Section 5.11) to transport for Hercules Polymer Grade Propylene between the Plant and the Lake Charles, Louisiana and Bayport, Texas plants of Hercules, and between such other places on the Pipeline Systems as Hercules may from time to time direct; subject, however, at all times to, the capacity limitations of the Pipeline Systems and to the extent all or any part of said Pipeline Systems are deemed to be a common carrier under Federal or state law. Enterprise shall assume and have full direction, management and control of the Pipeline Systems and, subject to the terms and provisions hereof, shall conduct and manage the operations of the Pipeline Systems for the safe and careful transportation of Polymer Grade Propylene and other products between the places referred to in the preceding sentence.

C. Enterprise shall perform such duties and functions as are customarily performed in the usual course of handling, storing, transporting and delivering light hydrocarbon liquids, using all reasonable diligence and cause to provide continuously for the safe, efficient, expeditious and economic distribution of product. Without limiting the generality of the foregoing, Enterprise may curtail or interrupt the operations of the Pipeline Systems when essential for maintenance, repair, replacement, relocation or alteration of the Pipeline Systems, or any portion thereof, but such curtailment or interruption shall be kept to a minimum, and such activities shall be scheduled so as to avoid, whenever possible, interference with normal operations at the Bayport, Texas and Lake Charles, Louisiana plants of Hercules.

D. Prior to the commencement of operations of the Pipeline Systems, Enterprise, in cooperation with Hercules, shall

prepare an operating manual ("Operating Manual") and an accounting procedures manual ("Accounting Procedures Manual") setting forth procedures for the operation and maintenance of, and accounting for, the Pipeline Systems. The Accounting Procedures Manual shall be subject to the approval of Hercules. Both manuals shall, when completed, be incorporated by reference to this Agreement. It is understood and agreed that notwithstanding any approval by Hercules of the Accounting Procedures Manual, or any participation by Hercules in the preparation of the Operating Manual, Hercules shall have no responsibility therefor.

E. In carrying out its duties and functions with respect to the operations and maintenance of the Pipeline Systems, Enterprise shall inter alia:

(1) operate and maintain the Pipeline Systems in a safe, efficient, economic and workmanlike manner, and in accordance with the Operating Manual and good and modern petrochemical industry practice, for the handling, storage, transportation and delivery of product in accordance with schedules developed with complete cooperation with Hercules so as to meet Hercules' requirements;

(2) except as otherwise provided herein, advance all necessary operating funds required to conduct all operations and maintenance hereunder;

(3) employ, supervise, discharge and pay employees, contractors and other personnel required for the efficient and safe operation and maintenance of the Pipeline Systems and for the safe and careful transportation and storage of Polymer Grade Propylene and allied products;

(4) except as otherwise provided herein, supply or purchase all materials, supplies, equipment, tools and other physical elements necessary or desirable for the efficient and safe operation and maintenance of the Pipeline Systems and for the safe and careful transportation and storage of Polymer Grade Propylene and allied products;

(5) supply or purchase all water, electricity and other utilities necessary for the operation and maintenance of the Pipeline Systems and for the safe and careful transportation and storage of Polymer Grade Propylene and allied products;

(6) perform all financial, accounting, purchasing, labor relations, traffic and other similar management and administrative services or functions required by the operations of the Pipeline Systems;

(7) cause to be made under its supervision such routine repairs, replacements, relocations and alterations as Enterprise reasonably shall consider necessary or advisable, all in accordance with the Operating Manual and good industry practice;

(8) take all steps and action necessary to comply strictly in every respect with, and to cause the Pipeline Systems to be in compliance with, (i) all existing and future applicable laws, ordinances, rules, orders and regulations of any competent authority having jurisdiction, as provided in Section 8.1; (ii) all applicable provisions contained in documents executed in connection with the obtaining of financing, whether interim or permanent, of the Pipeline Systems; (iii) all applicable provisions contained in insurance policies issued to Enterprise in connection with the Pipeline Systems; and (iv) all terms and conditions of all leases forming a part of the Pipeline Systems, so that such leases shall be kept in full force and effect;

(9) promptly, carefully, safely and properly handle, store, transport and deliver for Hercules all Polymer Grade Propylene and allied products to be transported between the places referred to in paragraph 5.6B;

(10) make and keep a daily and monthly account of all Polymer Grade Propylene and other products received and delivered;

(11) account and be responsible for all property of Hercules received by or delivered to Enterprise for transmission;

(12) perform all duties and responsibilities described in the Operating Manual, including:

(a) telemeter monitorina of all portions of all pumping stations, including pumps, meter runs, pressure control equipment, block valves and automation and telemetering equipment;

(b) preparation of weekly operation records that indicate discharge pressure of pumps and any other unusual operations of the Pipeline Systems;

(c) approximate monthly aerial or physical patrol of the pipelines;

(d) semi-annual inspection of all block valves on the pump station and pipelines;

(e) semi-annual examination of test coupons to determine the extent of any internal corrosion;

(f) semi-annual inspections and test of relief valves and other pressure control equipment;

(g) regular calibration and inspection of meters;

(h) emergency and routine investigations of the pipelines if leakage is indicated, either by a comparison of the flow rate of check meters or reported by third party or any other reason;

(i) emergency repair of damaged pipelines facilities from any cause, and warning the public, landowners and others with respect thereto;

(j) investigation of landowner, state, regulatory or general public complaints and inquiries and advising Hercules;

(k) preparation and filing of required reports to Federal, state and local agencies;

(l) preparation of records to substantiate the inspection tests and repairs required above;

(13) promptly pay and discharge all operating and maintenance costs and expenses actually incurred by or allocable to the Pipeline Systems, including taxes, assessments, premiums on insurance and interest and

amortization on interim and permanent financing of construction loans;

(14) keep the Pipeline Systems in continuous operation, except during periods of shutdown occasioned by unusual catastrophes and accidents beyond the reasonable control of Enterprise;

(15) notify Hercules promptly of any labor disputes, operating difficulties or other problems which are considered to be of a major importance with respect to the Pipeline Systems and keep Hercules informed as to action taken in connection therewith;

(16) furnish monthly and annual reports to Hercules of the following particulars with regard to Pipeline Systems operation:

(a) total quantities (by product) of all products transported through the Pipeline Systems during the preceding month or year, as the case may be;

(b) statement of loss of product with such explanations as are applicable;

(c) inventory of total products (by product) stored for the account of Hercules;

(d) expenditures and accounting statements as are required to substantiate the Pipeline Systems' operating and maintenance costs;

(e) an operating report prepared by technical and management personnel summarizing operations for the month or year, as the case may be; and

(f) projection of unusual costs and capital expenditures.

The monthly reports called for in clause (16) shall be mailed to Hercules on or before the 15th working day following the end of the monthly period reported. The annual reports called for in (a), (b), (c), (d) and (e) of clause (16) shall be submitted to Hercules on or before the 31st day of January for operations of

the previous year, and the annual report called for in (f) shall be submitted to Hercules on or before the 1st day of September of the year preceding the year for which such projections are made.

F. The foregoing specific duties and functions are not in limitation of any other duties or functions to be performed by Enterprise as provided elsewhere in this Agreement.

G. It is understood and agreed that: (i) except as expressly provided otherwise elsewhere in this Agreement, Enterprise shall conduct all operations and routine maintenance of the Pipeline Systems, supplying all and every item or items of expense; and (ii) in no event shall Hercules be liable for any cost or expense incurred by Enterprise in the operation or maintenance of the Pipeline Systems, except as expressly provided in Section 5.7.

H. Notwithstanding any provision of this Section to the contrary, unless an expenditure is made or an obligation incurred in direct pursuance to a budget approved as hereinafter provided, no single expenditure or series of related expenditures shall be made, and no single obligation or series of related obligations shall be incurred, by Enterprise in connection with the operation or maintenance of the Pipeline Systems (except emergency measures as hereinafter provided) which is reasonably estimated to cost in excess of $5,000 unless a detailed, written plan of the proposed undertaking, including an estimate of the costs to be incurred and the reason or reasons such expenditure is deemed necessary or advisable, has been submitted to and approved by Hercules. Total expenditures and/or obligations made or incurred in any fiscal year may not exceed $50,000 unless made or incurred in direct pursuance to an approved budget (as provided in Section 5.9) and/or other approval, in writing, by Enterprise and Hercules.

I. In the event of any emergency affecting the Pipeline Systems, Enterprise shall take appropriate action, to the best of its ability, to protect life, in the first instance, and property, in the second instance, using whatever human resources and equipment Enterprise deems advisable under the circumstances. Enterprise shall notify Hercules as soon as reasonabiy practicable by telephone, confirming by telegraph or telex, of the nature and scope of such emergency, the action taken and the cost or approximate cost thereof, if known.

SECTION.5.7. COMPENSATION

A. For performance by Enterprise of all its duties and services under this Article, Hercules shall pay Enterprise the following:

(1) Reimbursement for 50% of all 14 reasonable direct costs and expenses incurred in the operation and maintenance of the Pipeline Systems, which costs and expenses shall be determined in accordance with the Accounting Procedures Manual. It is understood and agreed that operating and maintenance expenses reimbursable hereunder will consist of the entire actual cost to Enterprise of accomplishing the work, including, in particular, actual wages and salaries of all personnel while directly engaged in performing Enterprise's duties and functions hereunder, together with the actual cost of fringe benefits relating to such personnel, but not any costs or expenses for overhead or similar, general indirect expenses in connection with such labor; rental costs for properties leased pursuant to Section 5.2; purchase and carrying costs of stores, materials and supplies; accounting, auditing and legal costs; power and other utility costs; insurance costs; and 50% of all taxes paid by Enterprise pursuant to clause (13) of paragraph 5.6E, to the extent the same are imposed as an incident of ownership of real property included in the Pipeline System. All items purchased or provided for operation and maintenance of the Pipeline Systems

and for repairs or emergency services carried out by Enterprise shall be charged to Hercules at Enterprise's actual cost therefor paid to the supplier or contractor. Discounts shall be taken when available and credited against the costs reimbursed by Hercules.

(2) A fee of 1 cent per gallon for all Polymer Grade Propylene meeting specifications as provided in the Propylene Sales Agreement, which is shipped from the Plant and destined either to Bayport, Texas or Lake Charles, Louisiana, plus 1/2 cent per gallon for product originating in Beaumont, Texas. Fees with respect to products transported for Hercules from or to other sources shall be as mutually determined from time to time by Enterprise and Hercules.

B. The total amount payable under clause (2) next above shall be no less than $0.870 million per year and no more than $1.0 million per year for quantities up to 530 million pounds per year. For deliveries in excess of 530 million pounds per year, enterprise shall receive pursuant to said clause (2) 1/2 cent per gallon. The minimum amount payable under this paragraph 5.7B shall be reduced proportionately for partial years, as well as in the event Enterprise is unable to produce at the Plant 180 million pounds of Polymer Grade Propylene meeting specifications as aforesaid in 1979, 200 million pounds in 1980, 315 million pounds in 1981 and 380 million pounds in 1982, and subsequent years.

C. Payments under clause (1) of paragraph 5.7A shall be made by Hercules within 30 days after receipt of Enterprise's invoice therefor covering the immediately preceding calendar month, accompanied by such data as may be reasonably requested by Hercules.

D. Payments provided for in paragraph 5.7A(2) are predicated upon final book investment ceilings specified in paragraph 5.4B. If actual book investment exceeds the aforesaid book investment, then such $1.0 million ceiling shall be suspended

until such time as Enterprise shall have recovered the excess investment. Upon the recovery by Enterprise of such excess investment, the $1.0 million per year ceiling shall be reinstated.

E. In any case where the use of the Pipeline Systems is affected by any Casualty Occurrence (as that term is defined in paragraph 2.11A), there shall be either an abatement or an equitable reduction in the fee payable under paragraph 5.7A(2). The amount of such abatement or reduction shall depend on the period for which and the extent to which the Pipeline Systems are not reasonably usable for the purpose contemplated herein.

F. In the event Enterprise should fail to make any of the payments required under Section 2.5 when due and payable, Hercules may, in its sole discretion, offset the amounts of such unpaid rents against any amounts payable under this Section 5.7.

G. In the event Enterprise is required, pursuant to agreement or otherwise, to defend, protect, indemnify and hold Mobil Chemical Company harmless from and against claims, demands and causes of action on the account of personal injuries or death or damage to property directly or indirectly caused by the negligence of Enterprise (whether such negligence is active, passive, joint, concurring or otherwise) in the operation, maintenance or construction of pipelines leased from Mobil Chemical Company and comprising a part of the Pipeline Systems, any payments made and/or costs or expenses incurred shall be borne solely by Enterprise and shall not be reimbursable costs under this Section.

SECTION 5.8 BOOKS AND RECORDS

Enterprise shall keep complete and accurate books, records and accounts to record and reflect all the expenses and

transactions pertaining to the Pipeline Systems and the operations and maintenance thereof. The manner in which the books and accounts are to be maintained by Enterprise and the kind of other records which are to be maintained by Enterprise shall be in accordance with the Accounting Procedures manual and generally accepted accounting principles consistently applied. All such books, records and accounts shall be kept at the principal office of Enterprise, and Hercules and its duly authorized representatives shall have the unrestricted right at all reasonable times during regular business hours, at such office, to audit, examine and make copies of or extracts from any or all of such books, records and accounts. Enterprise shall preserve and make available the above books, records and accounts for a period of 5 years following the end of the calendar year to which they pertain.

SECTION 5.9 BUDGETS

Enterprise shall prepare and submit to Hercules for its consideration on or before the first day of October of the year preceding the year covered thereby, forecasts and budgets setting forth the estimated receipts and expenditures (capital, operating and other) for the Pipeline Systems for the period covered by the forecasts and budgets. When approved by Hercules, Enterprise shall implement the forecasts and budgets and shall be authorized, without need for further approvals by Hercules, to make the expenditures and incur the obligations provided for in the forecasts and budgets. If necessary, these forecasts and budgets shall be revised during the year to correctly reflect anticipated costs and cash outlays, and if approved by Hercules in writing, such revision shall be effective upon such approval. Such forecasts and budgets shall include a statement as to the purpose of the expenditures and sufficient details regarding each expenditure to

enable Hercules to have a clear understanding of the nature of said Proposed expenditures and the reasons therefor.

SECTION 5.10 EMPLOYEES AND PIPELINE SYSTEMS MANAGER

A. Enterprise shall assign, as agreed from time to time by Enterprise and Hercules, such number of employees, supervisors, engineers, accountants and other persons as may be necessary or appropriate to carry out the safe and efficient management and operation of the Pipeline Systems. All such persons shall be qualified, regular employees of Enterprise, and shall be subject to the exclusive control, direction and supervision of Enterprise. They shall not be deemed or treated for any purpose to be an employee, agent or servant of Hercules. The numbers of personnel assigned, their compensation and the hours of work shall conform to established practices in the petrochemical pipeline industry, having due regard to all relevant circumstances. It is understood and agreed that in performing duties and functions hereunder, except in the case of an emergency, Enterprise will endeavor to minimize personnel utilization at premium wage rates.

B. Enterprise shall provide, on a part time basis, a competent Pipeline Systems Manager, acceptable to Hercules, for the supervision of the management, administrative and operating functions of the Pipeline Systems. Except as may be otherwise agreed upon by Enterprise and Hercules, it is understood and agreed that said Pipeline Systems Manager shall devote such portion of his time as is required to supervise the manacement, administrative and operating functions of the Pipeline Systems. The Pipeline Systems Manager shall be available to Hercules for consultation at all reasonable times. Hercules shall have the right to require removal of such Pipeline Systems Manager if at

any time he is deemed unsatisfactory by Hercules, and Enterprise shall promptly appoint another Pipeline Systems Manager who shall be acceptable to Hercules.

SECTION 5.11 RIGHT TO UNUSED CAPACITY

In the event Hercules shall determine at any time that some of the Pipeline Systems capacity is not needed by Hercules, it shall notify Enterprise that such capacity will be available and Enterprise shall have a right to use such capacity for transportation of Polymer Grade Propylene, at its own cost and expense; provided, such use does not interfere with, or impede, the delivery of product for the Lake Charles, Louisiana and Bayport, Texas plants of Hercules. For such use, Enterprise shall reimburse Hercules a proportionate share of all reasonable direct costs and expenses incurred in the operation of the Pipeline Systems and shall, in addition, pay Hercules 1 cent per gallon for all material originating at the Plant regardless of destination. During 1979 and 1980, Enterprise shall be required to pay 1/2 cent per gallon, rather than the aforesaid 1 cent per gallon, for all material originating at Mt. Belvieu, Texas and transported to the Beaumont, Texas facilities of Mobil Chemical Company.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES

SECTION 6.1 REPRESENTATIONS AND WARRANTIES OF ENTERPRISE

A. Enterprise represents and warrants to Hercules that:

(1) Enterprise is a corporation duly organized, validly existing and in good standing under the laws of the State of Texas. Enterprise has all requisite power and authority, corporate and otherwise, and legal right, to (i) carry on the business as contemplated by this Agreement, (ii) own or hold under lease the properties and assets included in the Plant and Pipeline Systems which it now owns or holds under lease, and (iii) execute, deliver and perform this Agreement and the Propylene Sales Agreement and the transactions contem plated by each, including the sale, assignment, conveyance, transfer and delivery of the 50% undivided interests in and to the Plant and the Pipeline Systems, as provided herein. Enterprise is duly licensed and qualified to do business in the State of Louisiana. True and complete copies of the charter of Enterprise, as amended to date, and of the By-Laws of Enterprise, as amended to date, both certified by the Secretary Enterprise, have heretofore been furnished to Hercules.

(2) Enterprise has delivered, or caused to be delivered, to Hercules copies of the following financial statements:

(a) Consolidated balance sheets of Enterprise Products Company as at December 31, 1975, 1976 and 1977 and related consolidated statements of income and retained earnings for the years ending on those dates, certified by A. H. Gardes & Co., certified public accountants, whose opinions with respect to such financial statements are attached thereto, together with the unaudited consolidated balance sheet of Enterprise Products Company as at September 30, 1978 and the related consolidated statements of income and retained earnings for the nine months ended that date, certified by the Treasurer of Enterprise Products Company.

(b) Unaudited balance sheet of Enterprise as at December 31, 1977 and related statements of income and retained earnings for the years ending on said date, together with the unaudited balance sheet of Enterprise as at September 30, 1978 and the related consolidated statements of income and retained earnings for the nine months ended that date, certified by the Treasurer of Enterprise.

Each of the foregoing financial statements is true and complete in all respects; is in accordance with the

books and records of Enterprise or Enterprise Products Company, as the case may be; has been prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of prior periods; and fully and accurately presents the financial condition and the results of operations of the subjects thereof as of the dates thereof.

For purposes of this Agreement, the "Balance Sheet" of Enterprise or Enterprise Products Company shall mean the individual balance sheet of such corporation as at December 31, 1977, together with the notes thereto, and the "Balance Sheet Date" shall mean the date of the Balance Sheet of such corporation.

(3) As at its Balance Sheet Date, neither Enterprise nor Enterprise Products Company had any outstanding liability, indebtedness or obligation, or any understanding or commitment or lease, of a material nature and commonly required by generally accepted accounting principles to be disclosed or reflected in a balance sheet (whether absolute, accrued, contingent or otherwise and whether due or to become due), which is not adequately reflected in or shown on its Balance Sheet, or reflected in the notes thereto. Since its Balance Sheet Date, neither Enterprise nor Enterprise Products Company has incurred any liability, indebtedness or obligation, or any understanding or commitment or lease other than it be ordinary course of business and consistent with past practice. Neither Enterprise nor Enterprise Products Company is in default with respect to any term or condition of any indebtedness, and there exists no event or condition which with notice or lapse of time, or both, would constitute an event of default thereunder in respect of which either Enterprise or Enterprise Products Company, as the case may be, has not taken or caused to be taken adequate steps to prevent an event of default from happening. Neither Enterprise nor Enterprise Products Company is, directly or indirectly, liable upon or with respect to, or obligated in any way to provide funds in respect of or to guarantee or assume, any debt, obligation or dividend of any corporation, partnership or other entity, except endorsements made int he ordinary course of business in connection with the deposit of items for collection and except as otherwise reflected in its Balance Sheet or on the notes thereto.

(4) Since its Balance Sheet Date, there has not been any material change in the financial condition or in the business, prospects, properties, liabilities or assets of Enterprise or Enterprise Products Company; and since that date there have not been any changes except those occurring in the ordinary course of business and not materially adversely affecting the business, prospects, properties, liabilities, assets or financial condition of Enterprise and/or Enterprise Products Company, as the case may be.

(5) Enterprise and Enterprise Products Company each has filed all tax returns (Federal, state, county, municipal and foreign) required to be filed by it and such returns are true and complete. Enterprise and Enterprise Products Company, respectively, has each paid all taxes shown thereon to be due, including interest and penalties, or provided adequate reserves for the payment thereof, as reflected in its financial statements referred to in paragraph 6.1A(2). The Federal income tax returns of Enterprise Products Company have been examined by the Internal Revenue Service for the years and pertinent periods through December 31, 1973, and all deficiencies as a result of such examinations have been paid or settled.

(6) Enterprise has good and marketable title in fee simple absolute to all property, real, personal or mixed, included in the Plant and/or Pipeline Systems which it purports to own (including the real property referred to in paragraph 2.2B and the machinery, equipment and related property referred to in paragraph 2.1B), in each case free and clear of all liabilities, mortgages, pledges, liens, charges, easements, restrictions and burdens or encumbrances of any nature whatsoever, except for Permitted Encumbrances and those set forth in Exhibit H attached hereto.

(7) Enterprise has delivered to Hercules a true and complete schedule (certified by the President of Enterprise), attached hereto as Exhibit I, setting forth a description of all contracts, agreements, deeds, leases, licenses, arrangements or commitments to which Enterprise is a party, relating to or affecting (i) the business and/or operations conducted by Enterprise at the Plant and/or Pipeline Systems, and/or (ii) the property, real, personal or mixed, or any interest therein, which is included in the Plant and/or Pipeline Systems. Each of said contracts, agreements, deeds, leases, licenses, arrangements and commitments is in full force

and effect and, except as indicated on Exhibit 1, is assignable to Hercules without the consent of any third party; and there exists no default thereunder or any event or condition which with notice or lapse of time, or both, would constitute an event of default thereunder in respect of which Enterprise has not taken or caused to be taken adequate steps to prevent an event of default from happening. Copies of all documents described in the foregoing schedule have been delivered by Enterprise to Hercules and are true and complete and include all amendments, supplements or modifications thereto.

(8) Except for the Construction Loan, or a substitute permanent loan agreement, Enterprise has not made any agreement, arrangement or other commitment of any kind whatsoever relating to the borrowing of money, the performance of which by any other party thereto would give rise to the creation or imposition of any mortgage, deed of trust, pledge, lien, security interest or other charge or encumbrance of any kind or description whatsoever upon or with respect to the Plant and/or Pipeline Systems. Enterprise has not made any other agreement of any kind or description whatsoever, the performance of which by any other party thereto would give rise to the creation or imposition of any mortgage, deed of trust, pledge, lien, security interest or other charge or encumbrance of any kind or description whatsoever upon or with respect to the Plant and/or Pipeline Systems, except for construction contracts and other contracts made in the ordinary course of business.

(9) No violation of any law, ordinance, order, rule or regulation of any governmental authority (Federal, state, county or municipal) exists with respect to the Plant and/or Pipeline Systems, and the anticipated uses of each complies with applicable building, zoning or other ordinances, codes or regulations and restrictive covenants affecting the Plant and/or Pipeline Systems.

(10) The operation of the Plant and the Pipeline Systems as contemplated by this Agreement, the practice of any process therein (including separation of propane and polymer grade propylene from a mixed stream of propane and propylene) and/or the use of any equipment, machinery or other facilities necessary for operation of the Plant and Pipeline Systems as contemplated by this Agreement, shall not be subject to royalties or obligations other than those which Enterprise is subject to;

and if an infringement or claimed infringement of a United States patent is lodged against Hercules, the terms and conditions set forth in paragraph 7 of Exhibit G attached hereto, said paragraph being entitled "Patent Indemnities" shall be applied. Upon best information and belief at the present time, Enterprise validly owns or is validly licensed (under 1icenses assignable to Hercules without, except as heretofore disclosed to Hercules in writing, the consent of any third party) in respect of all inventions, processes, knowhow, trade secrets, designs, formula and/or technical information directed to the separation of propane and polymer grade propylene from mixed streams of propane and propylene, and all such rights are valid and in good standing, are free and clear of all liens and encumbrances of any nature whatsoever and have not been challenged in any way or involved in any interference proceeding.

(11) Enterprise has or will hereafter obtain (evidence of which shall be delivered promptly to Hercules) all permits, consents, approvals, licenses, certificates and other authorizations (Federal, state, county and municipal) necessary to, and of material importance to, the construction of the Plant and/or Pipeline Systems and the use and operation of the Plant and/or Pipeline Systems for the purposes contemplated by this Agreement (including, in particular, all permits relating to the protection of the environment). Copies of all such permits, consents, approvals, licenses, certificates and other authorizations which have been obtained have been delivered to Hercules and are true and complete and include all amendments, supplements and modifications thereto.

(12) All utility services necessary for the construction of the Plant and the operation thereof for its intended purpose are available at the boundaries of the Plant site, including water supply, storm and sanitary sewer facilities and gas, electric and telephone utilities.

(13) The execution, delivery and performance by Enterprise of this Agreement and the Propylene Sales Agreement, and the consummation of the transactions contemplated by each such agreement, have been duly authorized by all necessary corporate action, and do not and will not (i) require any consent or approval of the stockholders of Enterprise, (ii) result in a breach of or constitute a default under any mortgage, deed of trust, indenture, loan or credit agreement, lease or

other obligation or instrument to which Enterprise is a Party or by which it or any of its properties may be bound or affected, (iii) violate any provision of the charter or By-Laws of Enterprise, or (iv) to the best of Enterprise's knowledge and belief, violate any provision of any law, order, rule, regulation, writ, judgment, injunction or decree of any government, governmental instrumentality or court having Jurisdiction over Enterprise or any of its property; and Enterprise is not in default under any such indenture, agreement, lease or instrument (and there exists no event or condition which with notice or lapse of time, or both, would constitute an event of default thereunder in respect of which Enterprise has not taken or caused to be taken adequate steps to prevent an event of default from happening) or, to the best of Enterprise's knowledge and belief, any such law, order, rule, regulation, writ, judgment, injunction or decree.

(14) This Agreement and the Propylene Sales Agreement each constitutes the legal, valid and binding obligation of Enterprise enforceable against Enterprise in accordance with their terms, except as enforcement thereof may be limited by laws of general application affecting the rights and remedies of creditors.

(15) There are no actions, suits or proceedings pending or, to the knowledge of Enterprise, threatened against or affecting Enterprise or the Plant or Pipeline Systems, or involving the validity or enforceability of this Agreement and/or the Propylene Sales Agreement, at law or in equity, before any court or governmental department, commission, board, bureau, agency or instrumentality, of the United States or otherwise, which, if adversely determined, would materially impair the ability of Enterprise to complete construction of the Plant and Pipeline Systems by the date scheduled for completion, or impair the ability of Enterprise to perform its obligations under this Agreement and/or the Propylene Sales Agreement, or would materially and adversely affect the business, prospects, properties, assets or financial condition of Enterprise, the Plant, the Pipeline Systems or the operations relating to the Plant and/or Pipeline Systems.

(16) No representation or warranty by Enterprise in this Agreement contains any untrue statement of a material fact, or omits to state a material fact necessary to make the statements contained therein not misleading.

B. The representations and warranties of Enterprise contained herein shall survive and continue in existence after the passage of any titles and delivery of any instrument of conveyance and shall remain effective regardless of any investigation at any time made by or on behalf of Hercules or of any information Hercules may have or acquire in respect thereof.

C. In the event that any representation herein set forth which is qualified by a reference to the knowledge of Enterprise shall prove inaccurate in any material respect, Enterprise shall promptly remedy or cure such condition to the extent necessary to restore the accuracy of such representation, and shall indemnify and hold harmless Hercules from all liabilities, damages, costs or expenses arising out of such inaccuracy.

SECTION 6.2 REPRESENTATIONS AND WARRANTIES OF HERCULES

Hercules represents and warrants to Enterprise that:

(1) Hercules is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Hercules has the corporate power and authority to execute, deliver and perform this agreement and the Propylene Sales Agreement and the transactions contemplated by each, including the purchase from and thereafter lease to Enterprise, as herein provided, of the 50% undivided interests in and to the Plant and Pipeline Systems. Hercules is duly licensed and qualified to do business in the States of Texas and Louisiana. True and complete copies of the Restated Certificate of incorporation of Hercules, as amended to date, and of the By-Laws of Hercules, as amended to date, both certified by the Secretary of Hercules, have been furnished to Enterprise.

(2) Hercules has delivered to Enterprise copies of the consolidated balance sheets of Hercules as at December 31, 1975, 1976 and 1977 and related consolidate statements of income and retained earnings for the years

ending on those dates, certified by Coopers & Lybrand, certified public accountants, whose opinions with respect to such financial statements are attached thereto, together with the unaudited consolidated balance sheet of Hercules as at September 30, 1978 and the related consolidated statements of income and retained earnings for the nine months ended that date, certified by the Treasurer of Hercules. Each of the foregoing financial statements is true and complete in all respects; is in accordance with the books and records of Hercules; has been prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of prior periods; and fully and accurately presents the financial condition and the results of operations of the subjects thereof as of the dates thereof. For purposes of this Agreement, the "Balance Sheet" of Hercules shall mean the individual balance sheet of such corporation as at December 31, 1977, together with the notes thereto, and the "Balance Sheet Date" shall mean the date of the Balance Sheet of such corporation.

(3) As at its Balance Sheet Date, Hercules did not any outstanding liability, indebtedness or obligation, or any understanding or commitment or lease, material nature and commonly required by generally accepted accounting principles to be disclosed or reflected in a balance sheet (whether absolute, accrued contingent or otherwise and whether due or to become due), which is not adequately reflected in or shown on its Balance Sheet, or reflected in the notes thereto. Since its Balance Sheet Date, Hercules has not incurred any liability, indebtedness or obligation, or any understanding or commitment or lease other than in the ordinary course of business and consistent with past practice. Hercules is not in default with respect to any term or condition of any indebtedness, and there exists no event or condition which with notice or lapse of time, or both, would constitute an event of default thereunder in respect of which Hercules has not taken or caused to be taken adequate steps to prevent an event of default from happening. Hercules is not, directly or indirectly, liable upon or with respect to, or obligated in any way to provide funds in respect of or to guarantee or assume, any debt, obligation or dividend of any corporation, partnership or other entity, except endorsements made in the ordinary course of business in connection with the deposit of items for collection and except as otherwise reflected in its Balance Sheet or on the notes thereto.

(4) Since its Balance Sheet Date, there has not been any material change in the financial condition or in the business, prospects, properties, liabilities or assets of Hercules; and since that date there have not been any changes except those occurring in the ordinary course of business and not materially adversely affecting the business, prospects, properties, liabilities, assets or financial condition of Hercules.

(5) Hercules has filed all tax returns (Federal, state, county, municipal and foreign) required to be filed by it and such returns are true and complete, and has paid all taxes shown thereon to be due, including interest and penalties, or provided adequate reserves for the payment thereof, as reflected in its financial statements referred to in paragraph 6.2(2). The Federal income tax returns of Hercules have been examined by the Internal Revenue Service for the years and pertinent periods through December 31, 1964, and all deficiencies as a result of such examinations have been paid or settled.

(6) The execution, delivery and performance by Hercules of this Agreement and the Propylene Sales Agreement, and the consummation of the transactions contemplated by each such agreement, have been duly authorized by all necessary corporate action and do not and will not (i) require any consent or approval of the stockholders of Hercules, (ii) result in a breach of or constitute a default under any mortgage, deed of trust, indenture, loan or credit agreement, lease or other agreement or instrument to which Hercules is a party or by which it or any of its properties may be bound or affected, (iii) violate any provision of the Restated Certificate of Incorporation or By-Laws of Hercules, or (iv) to the best of Hercules' knowledge and belief, violate any provision of any law, order, rule, regulation, writ, judgment, injunction or decree of any government, governmental instrumentality or court having jurisdiction over Hercules or any of its property; and Hercules is not in default under such indenture, agreement, lease or instrument or, to the best of Hercules' knowledge and belief, any such law, order, rule, regulation, writ, judgment or decree.

(7) This Agreement and the Propylene Sales Agreement each constitutes the legal, valid and binding obligation of Hercules enforceable against Hercules in accordance with their terms, except as enforcement

thereof may be limited by laws of general application affecting the rights and remedies of creditors.

(8) There are no actions, suits or proceedings pending or, to the knowledge of Hercules, threatened against or affecting Hercules, or involving the validity or enforceability of this Agreement and/or the Propylene Sales Agreement, at law or in equity, before any court or governmental department, commission, board, bureau, agency or instrumentality, of the United States or otherwise, which if adversely determined, would materially impair the ability of Hercules to perform its obligations under this Agreement and/or the Propylene Sales Agreement, or would materially and adversely affect the business, prospects, properties, assets or financial condition of Hercules.

(9) No representation or warranty by Hercules in this Agreement contains any untrue statement of a material fact, or omits to state a material fact necessary to make the statements contained therein not misleading.

ARTICLE VII

THE CLOSING

SECTION 7.1 TIME AND PLACE

The transfer of the undivided interests in the Plant and Pipeline Systems to Hercules, as provided for herein (the "Closing"), shall take place contemporaneously with the execution of this Agreement, and shall be at the office of Hercules at 910 Market Street, Wilmington, Delaware.

SECTION 7.2 ENTERPRISE'S OBLIGATIONS AT THE CLOSING

A. At the Closing, Enterprise shall deliver, or cause to be delivered, to Hercules, against delivery of the items specified in Section 7.3:

(1) All documents listed in Exhibit J attached hereto which are specified therein to be delivered by Enterprise.

(2) A title guaranty policy (or commitment) in the amount of the fair market value of the real property more particularly described in Exhibit C attached hereto. Such policy shall be in standard form issued by an insurance company satisfactory to Hercules and qualified to do business in the State of Texas, and shall insure title in Enterprise to the real property in conformity with the warranties set forth herein as of the date hereof.

(3) A survey of the real property more particularly described in Exhibit C attached hereto I certified by a licensed surveyor, which survey shall show all improvements, elevations and depressions and shall show title to be marketable in all respects as to which the information shown on the survey is pertinent.

(4) Such,warranty deeds, bills of sale with full covenants of warranty, endorsements, assignments and other good and sufficient instruments of conveyance, sale, transfer and assignment, with all required Federal and state documentary and revenue stamps affixed, as shall be required or as may be desirable in order effectively to vest in Hercules good, indefeasible and marketable title to a 50% undivided interest in and to the Plant and the Pipeline Systems, free and clear of all liabilities, mortgages, pledges, liens, charges, easements, restrictions or burdens or encumbrances of any nature whatsoever, except for Permitted Encumbrances and those set forth in Exhibit H attached hereto. Such instruments will include:

(a) A general warranty deed, properly attested, executed and acknowledged before notary and sealed, containing survey description transferring to Hercules title, in fee simple absolute, to a 50% undivided interest in and to the real property more particularly described in Exhibit E attached hereto, free and clear of all liens, encumbrances and restrictions other than Permitted Encumbrances and those set forth in Exhibit G attached hereto.

(b) A warranty bulk bill(s) of sale, properly attested, executed and acknowledged before notary and sealed, vesting full title in Hercules to a 50% undivided interest in and to the personal and other property constituting a part of the Plant which Enterprise purports to own, free and clear of all liens, encumbrances and restrictions other than Permitted Encumbrances and those set forth in Exhibit G attached hereto.

(c) A warranty bulk bill(s) of sale, properly attested, executed and acknowledged before notary and sealed, vesting full title in Hercules to a 50% undivided interest in and to the personal and other property constituting a part of the Pipeline Systems which Enterprise purports to own, free and clear of all liens, encumbrances and restrictions other than Permitted Encumbrances and those set forth in Exhibit G attached hereto.

(5) A copy of the final plans and specifications for all of the improvements to be constructed on the site described in Exhibit C attached hereto as submitted by Delta Engineering Company from time to time to Enterprise, and a copy of any contracts between Enterprise and Delta Engineering Company relating to rendering of services or furnishing of material in connection with construction of the aforesaid improvements.

(6) A certified copy(s) of the contract(s) with the supplier(s) wherein such supplier(s) agrees to supply, until December 31, 1981, approximately 85% of the Plant's requirements for Feedstocks meeting the specifications set forth in Exhibit E attached hereto, all duly executed and in full force and effect.

(7) A favorable opinion of John T. McMahon, counsel for Enterprise, dated the date of such acquisition, in form and substance satisfactory to Hercules, as to matters referred to in paragraphs 6.lA(l), (6), (7), (8), (9), (10), (11), (13) and (14). In addition, the opinion of counsel for Enterprise shall favorably opine that:

(a) The instruments executed by Enterprise and delivered to Hercules hereunder are valid and effective to transfer the 50% undivided interests being acquired by Hercules in accordance with the terms of this Agreement, free and clear of all liabilities, obligations, liens and encumbrances, except Permitted Encumbrances and those set forth in Exhibit H attached hereto.

(b) Such counsel does not know or have any reason to believe that Enterprise is a party to or affected by any litigation or other proceedings before any court or administrative agency pending or threatened against or relating to Enterprise, or the 50% undivided interests being acquired by Hercules, which, if adversely determined, would materially and adversely affect the business related to the 50% undivided interests being acquired by Hercules, the Plant, the Pipeline Systems or the operations relating to the Plant and/or Pipeline Systems.

(c) Such counsel does not know or have any reason to believe that any representation or warranty set forth or contained in this Agreement or in any statement, deed, certificate, schedules or other documents delivered pursuant to this Agreement or in connection with the transactions contemplated hereby is false or inaccurate in any respect, or that any statement of fact made by Enterprise herein or therein contains any untrue statement of fact or omits to state any fact necessary in order to make the statements contained herein or therein not misleading.

(d) Such opinion shall also favorably opine on such other matters incident to the transactions contemplated hereby as Hercules may reasonably require.

(8) Copies of all permits, approvals, consents, licenses, certificates and other authorizations from third parties and governmental authorities necessary for the lawful transfer of the 50% undivided interests being acquired by Hercules from Enterprise, and, to the extent obtained prior to the Closing, for the construction, use and occupancy of the Plant and/or Pipeline Systems in the

manner herein contemplated (including, in particular, all permits relating to the protection of the environment). Each such permit, approval, consent, license, certificate and other authorization shall be accompanied by a certificate by the Secretary of Enterprise to the effect that such permit, approval, consent, license, certificate or other authorization is in full force and effect on the date of Closing, and has not been rescinded or modified.

B. All documents delivered, or caused to be delivered, by Enterprise under this Section 7.2 shall be in form, scope and substance acceptable to Hercules.

SECTION 7.3 HERCULES' OBLIGATIONS AT THE CLOSING

A. At the Closing, Hercules shall by wire transfer to 1st City National Bank, Houston, Texas, for the account, and to reduce the outstanding balance of Enterprise Petrochemical Company Loan, 1st City Commercial Loan Account No. 2212874, pay Enterprise an amount equal to the aggregate of the payments to be made by Hercules at the time of the Closing pursuant to Sections 2.2 and 5.4, and shall deliver, or cause to be delivered, to Enterprise against delivery of the items specified in Section 7.2:

(1) All documents listed in Exhibit J attached hereto which are specified therein to be delivered by Hercules.

(2) A favorable opinion of Charles W. K. Gamble, counsel for Hercules, dated the date of such sale, in form and substance satisfactory to Enterprise, as to matters referred to in paragraphs (1), (6) and (7) of Section 6.2. In addition, the opinion of counsel for Hercules shall favorably opine that:

(a) This Agreement is valid and effective to lease back to Enterprise the 50% undivided interests being sold by Enterprise to Hercules in accordance with the terms of this Agreement.

(b) Such counsel does not know or have any reason to believe that Hercules is a party to or affected by any litigation or other proceedings before any court or administrative agency pending or threatened against or relating to Hercules, or the 50% undivided interests being acquired by Hercules, which, if adversely determined, would materially and adversely affect the business related to the 50% undivided interests being acquired by Hercules, the Plant, the Pipeline Systems or the operations relating to such assets.

(c) Such counsel does not know or have any reason to believe that any representation or warranty set forth or contained in this Agreement or in any statement, certificate, schedule or other document delivered pursuant to this Agreement or in connection with the transactions contemplated hereby is false or inaccurate in any respect, or that any statement of fact made by Hercules herein or therein contains any untrue statement of fact or omits to state any fact necessary in order to make the statements contained herein or therein not misleading.

(d) Such opinion shall also favorably opine on such other matters incident to the transactions contemplated hereby as Enterprise may reasonably require.

B. All documents delivered, or caused to be delivered by Hercules under this Section 7.3 shall be in form, scope and substance acceptable to Enterprise.

ARTICLE VIII

SPECIAL COVENANTS

SECTION 8.1 COMPLIANCE WITH LAWS

A. During the continuation of this Agreement, Enterprise shall, at its own cost and expense, promptly (i) observe and comply strictly with all present and future applicable laws, statutes, ordinances, regulations, orders and requirements of all Federal, state, county or municipal authorities of competent jurisdiction in its construction, occupation, use and maintenance of the Plant and/or Pipeline Systems; (ii) pay all costs, expenses, claims, fines, penalties and damages that may in any manner arise out of or be imposed because of the failure of Enterprise to observe or comply with this Section; and (iii) give notice to Hercules, confirmed in writing, of any notice of violation received by Enterprise.

B. Without limiting the generality of paragraph 8.lA, Enterprise shall:

(1) in connection with its operation, maintenance and repair of the Plant and Pipeline Systems, acquire and keep in effect all necessary consents, permits, licenses, certificates and any other authorizations and rights for the construction, occupation, use, maintenance and repair of the Plant and/or Pipeline Systems, including, in particular, all permits relating to the protection of the environment; and

(2) in connection with its operation, maintenance and repair of the Pipeline Systems, (i) assume complete responsibility for compliance with the provisions of all applicable local, state or Federal workmen's compensation acts and other employee benefits laws for protection of workers as may be now or hereafter applicable to work performed in connection with the construction of the

Pipeline Systems and/or the installation of equipment, facilities and related property; (ii) have exclusive liability for the payment of any and all contributions or taxes for unemployment insurance or old age benefits, pensions or annuities now or hereafter imposed by any government having jurisdiction which are measured by the wages, salaries or other remunerations paid to persons employed by Enterprise or its subcontractors, and for the preparation and filing of required reports; and (iii) hold harmless and unconditionally indemnify Hercules against any penalties or fines imposed as a result of failure of Enterprise and/or its subcontractors to comply with such laws.

C. Hercules shall reimburse Enterprise 50% of all capital costs incurred under this Section 8.1 as a result of compliance with laws hereafter enacted.

SECTION 8.2 TAXES

A. Enterprise shall pay and discharge at least 15 days before the last day on which they may be paid without penalty or interest, and agrees to indemnify and hold Hercules and its successors harmless from and against, all taxes, assessments, fees and charges or levies of any kind and nature whatsoever, ordinary or extraordinary, foreseen or unforeseen, general or special, together with any penalties, fines, additions of tax or interest thereon, which, pursuant to present or future law or otherwise, during the continuation of this Agreement, or any extensions or renewals thereof, shall have been or shall be imposed, assessed, charged or levied (collectively, "imposed") upon Enterprise, Hercules or otherwise by any Federal, state, county or municipal government or governmental body, upon, against or with respect to (i) the Plant and/or Pipeline Systems, or any part of either of them, (ii) the ownership, possession, occupation, alteration, maintenance, repair and use of the Plant and/or Pipeline Systems,

or any part of either of them (including any machinery, equipment or other property installed or brought by Enterprise and/or Hercules therein or thereon), or (iii) this Agreement or any payment made pursuant to this Agreement (all such taxes, assessments, fees, charges, penalties, fines, additions to tax and interest imposed as aforesaid being hereinafter called "Taxes"). Notwithstanding the foregoing, with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, Enterprise shall be obligated to pay only such installments as are required to be paid during this Agreement.

B. Enterprise shall deliver to Hercules, at least 15 days before the last day on which any of the foregoing Taxes may be paid without penalty or interest, receipts or other evidence satisfactory to Hercules showing the full payment thereof.

C. If Enterprise shall first notify Hercules of its intention to do so, Enterprise may, at its own cost and expense and in its own name, contest the validity, applicability or amount of any Taxes by appropriate proceedings diligently conducted in good faith and, in the event of any such contest, may permit the Taxes so contested to remain unpaid during the period of such contest and any appeal therefrom, provided during such period enforcement of such contested item is effectively stayed. Hercules shall cooperate fully with Enterprise in any such contest.

D. In the event that Enterprise shall fail to pay any of the foregoing items required by paragraph 8.2A to be paid by Enterprise, Hercules may (but shall be under no obligation to), pay the same, and any amounts so advanced therefor by Hercules shall become an additional obligation of Enterprise to Hercules, which amounts, together with interest thereon from the date

thereof, at the rate, per annum, specified in paragraph 2.5E, Enterprise agrees to pay upon demand.

E. All obligations of Enterprise under this Section 8.2 shall survive and continue, but only with respect to periods included in this Agreement, notwithstanding the expiration or other termination of this Agreement.

F. Hercules shall reimburse Enterprise for all payments made by Enterprise under this Section in respect of taxes imposed upon the Polymer Grade Propylene stored by Enterprise for Hercules under the storage agreement contemplated by paragraph 2.8C. In addition, Hercules shall reimburse Enterprise (under Section 5.7 in the case of the Pipeline Systems) one-half of all payments made by Enterprise under this Section in respect of taxes imposed as an incident of ownership of real property included in the Plant and/or the Pipeline Systems. All other payments made by Enterprise under this Section shall be reimbursable (under Section 5.7) if and to the extent made in respect of taxes imposed upon the Pipeline Systems, or any part of them, or the ownership, possession, occupation, alteration, maintenance, repair or use of the Pipeline Systems, or any part of them, (including any machinery, equipment or other property installed or brought by Enterprise and/or Hercules therein or thereon).

SECTION 8.3 LOSS OR DAMAGE TO PRODUCTS

A. Except as Hercules may be compensated by insurance to be maintained as provided in Section 8.4, Enterprise shall account and be responsible for all Polymer Grade Propylene and allied products of Hercules received by or delivered to Enterprise for storage and/or for transportation through the

Pipeline Systems, except for loss or damage resulting from any cause beyond the reasonable control of Enterprise. To the extent that loss of or damage to product does not exceed 0.5% of the amount so received by or delivered to Enterprise, such loss or damage is not covered by this paragraph unless and to the extent the loss or damage results from known events or causes. The burden of proof with respect to any and all exceptions under this paragraph shall be on Enterprise; this includes proof that a cause was beyond the reasonable control of Enterprise, as well as proof that particular loss or damage results from unknown events or causes.

B. To insure that the specifications of all Polymer Grade Propylene and allied products delivered to Hercules from the Pipeline Systems shall meet the specifications at time of receipt into the Pipeline Systems, Enterprise shall maintain adequate control and exercise adequate supervision over the receipt, handling, storage, transporting and delivery of all products.

SECTION 8.4 INSURANCE

A. During the construction period of the Plant and Pipeline Systems, and at all times throughout this Agreements, Enterprise shall carry and maintain insurance in full force, all at its own cost and expense (except as provided in paragraph 8.4B below) and on behalf of and to the extent set forth in Exhibit K attached hereto; and,

(1) All insurance required in this Section shall be effected under valid and enforceable policies issued by insurers of recognized responsibility which have been

approved in writing by Hercules as to the qualifications of insurers and the amounts of insurance to be carried by each.

(2) All insurance policies maintained pursuant to this Agreement shall: (i) name Hercules as a Named Insured with respect to all operations including the Plant, Pipeline Systems and storage facilities and thus insure Hercules' interests; (ii) provide that all insurance proceeds with respect to the Plant and/or Pipeline Systems shall be adjusted by Enterprise so long as no Event of Default (as defined below in Section 10.1) shall have occurred and be continuing; and (iii) provide that no cancellation thereof shall be effective until at least 30 days after the giving of notice by the insurer thereunder to Hercules and Enterprise.

(3) Upon the execution of this Agreement, and thereafter not less than 15 days prior to the expiration dates of the policies theretofore delivered pursuant to this Section, Enterprise shall deliver to Hercules duplicate originals of all policies (or in the case of Blanket policies, certificates thereof issued by the issuers thereunder) for the insurance maintained pursuant to this Section; provided, however, that if the delivery of a formal policy or certificate, as the case may be, is delayed, Enterprise shall deliver an executed binder with respect thereto and shall deliver the formal policy or certificate, as the case may be, upon receipt thereof.

(4) In the event Enterprise shall fail to maintain the insurance coverage required by this Section, Hercules may (but shall be under no obligation to) provide such insurance, unless Enterprise gives immediate assurances that such failure will be cured and such assurances as are satisfactory to Hercules in the exercise of its reasonable discretion. In the event Hercules provides insurance pursuant to this paragraph, Enterprise shall, upon demand from time to time, reimburse Hercules for the cost thereof together with interest, on the amount of the cost to Hercules of such insurance which Enterprise shall have failed to maintain, at the rate per annum specified in paragraph 2.5E.

B. All payments made by Enterprise for insurance coverage required by this Section with respect to the Pipeline Systems or any part thereof, shall be reimbursable under Section 5.7.

C . At all times during the lease or sublease of the storage facilities of XRAL Storage and Terminaling Company, a Texas company, at Mt. Belvieu, Texas, Hercules shall reimburse Enterprise for the cost of the storage facilities insurance coverage as set forth in Exhibit K attached hereto.

SECTION 8.5 INDEMNIFICATION

A. Except as may be compensated by insurance to be maintained as provided in Section 8.4, Enterprise and Hercules (individually, "Indemnitor"), to the extent only of its undivided interest in the Plant, each shall indemnify, protect and save harmless the other and its successors, assigns, officers, directors, employees and agents (collectively "Indemnified Persons") from and against any and all causes of action, suits, penalties, claims, demands or judgments, of any and every kind and nature whatsoever (collectively, "Claims") which may be imposed on, incurred by or asserted against any Indemnified Person, including any or all liabilities, obligations, damages, costs, disbursements and expenses (including attorney's fees and other expenses) of any Indemnified Person relating thereto, arising or growing out of or in any way connected with:

(1) the Plant and/or the use, condition or operation; and/or

(2) any damage to or loss of property (including loss of use thereof) or any injury to (including death at any time resulting therefrom) or death of any and all persons sustained on or near the Plant;

whether such Claims are based on negligence (whether of Indemnitor or another), breach of contract, breach of warranty, absolute liability or otherwise; provided, however, that said Indemnitor shall not be required to indemnify, protect and save harmless an Indemnified Person from any Claim (a) resulting from the negligence of any Indemnified Person or (b) arising out of claims against such Indemnified Person as a result of any Indemnified Person failing to perform its obligations hereunder or under the Propylene Sales Agreement.

B. Subject to the provisions of Section 8.3, and except as may be compensated by insurance as provided in Section 8.4, Enterprise and Hercules (individually, "Indemnitor"), to the extent only of its undivided interest in the Pipeline Systems, each shall indemnify, protect and save harmless the other and its successors, assigns, officers, directors, employees and agents (collectively "Indemnified Persons") from and against any and all claims causes of action, suits, judgments, liabilities, damages and losses, of any and every kind and nature whatsoever (collectively, "Claims"), which may be imposed upon, incurred by or asserted against any Indemnified Person, including any and all liabilities, obligations, damages, costs, disbursements and expenses (including attorney's fees and other expenses) of any Indemnified Persons relating thereto, arising or growing out of or in any way connected with:

(1) the Pipeline Systems and/or the construction, use, condition or operation thereof, and/or the receipt, handling, transportation and delivery of Polymer Grade Propylene and allied products; and/or

(2) any damage to or loss of property (including loss or use thereof) or any injury to (including death at any time resulting therefrom) or death of any and all persons sustained on or near the Pipeline Systems;

whether such Claims are based on negligence (whether or Indemnitor or another), breach of contract, breach of warranty, absolute liability or otherwise; provided, however, that said Indemnitor shall not be required to indemnify, protect and save harmless any Indemnified Person from any Claims, (a) resulting from the gross negligence or willful misconduct of any Indemnified Person or (b) arising out of claims against such Indemnified Person as a result of any Indemnified Person failing to perform its obligations hereunder or under the Propylene Sales Agreement. Any Claims in any way arising out of or relating to the receipt, storage and/or handling of Polymer Grade Propylene and allied products at the storage facilities owned by XRAL Storage and Terminaling Company, a Texas corporation, shall not be covered by this paragraph so long as such facilities are so leased.

C. In case any action, suit or proceeding is brought against any Indemnified Person in connection with any Claim indemnified against hereunder, Indemnitor may and, upon such Indemnified Person's request, shall, at Indemnitor's own cost and expense, defend such action, suit and proceeding and, in the event of any failure of Indemnitor to do so, Indemnitor shall pay all costs and expenses (including attorney's fees and expenses) incurred by such Indemnified Person in connection with such action, suit or proceeding.

D. In the event the Indemnitor is required to make any payment under this Section, such Indemnitor shall pay such Indemnified Person an amount which, after deduction of all taxes required to be paid by such Indemnified Person in respect of the receipt thereof under the laws of any and all Federal, state, county or municipal government or governmental body, shall be equal to the amount of such payment.

E. In the event Enterprise is required to make any payment under this Section 8.5, such payment, cost or expense is not reimbursable under Section 5.7.

F. The indemnities contained in this Section shall survive the expiration or termination of this Agreement with respect to all events, facts, conditions or other circumstances occurring or existing prior to such expiration or termination and are expressly made for the benefit of, and shall be enforceable by any Indemnified Person.

SECTION 8.6 LIENS

Enterprise shall not create, incur, assume or suffer to exist, and shall forthwith discharge any and all mechanics' or other liens, security interests or other encumbrances or charges (except Permitted Encumbrances and those enumerated in Exhibit H) upon or against the Plant and/or Pipeline Systems, or any part of either, now existing or hereafter leased or acquired, including liens, security interests, encumbrances or charges placed by Enterprise or arising by reason of the occupation, erection or use of the Plant and/or Pipeline Systems by Enterprise; provided, however, that if Enterprise shall have first notified Hercules, so long as such lien, security interest, encumbrance or charge is contested in good faith by Enterprise, with due diligence and dispatch and without cost or expense to Hercules, it shall not be in default under this Agreement.

SECTION 8.7 ACCESS

Hercules shall have the following specific rights and privileges, which shall not be in limitation of any other rights or privileges provided by this Agreement:

(1) the unrestricted right to enter into and upon the Plant and/or Pipeline Systems, and/or any part thereof, at all reasonable times, to observe and inspect any operations of, or any part of, the Plant and/or Pipeline Systems; and

(2) the unrestricted right to inspect any document, agreement or instrument directly pertaining to or affecting the Plant and/or Pipeline Systems or the operations and/or maintenance thereof which is in the custody or control of Enterprise; and Enterprise shall furnish Hercules, at Hercules' expense, with copies of any such document, agreement or instrument.

ARTICLE IX

ADDITIONAL FACILITIES AND EXPANSION

SECTION 9.1 NEW PRODUCTION CAPACITY

If either Enterprise or Hercules should desire to expand the Polymer Grade Propylene production capacity of the Plant, it shall discuss such proposed expansion with the other. If Enterprise and Hercules are unable to reach an agreement relating to the expansion of the Plant, the party desiring to expand the Plant may, at its own cost and expense, unless the other party has agreed to share in the expense thereof, initiate engineering studies required to prepare a detailed cost estimate of the proposed expansion and all other details necessary for the evaluation by both Enterprise and Hercules of said proposed expansion. If,

within 60 days following receipt of said studies, the party not proposing said engineering studies shall notify the proposing party of its election to join in such expansion, which shall include a commitment to share in one-half the cost of studies for such expansion, or if the parties can reach agreement within such period on an alternative plan of joint expansion, the same shall be undertaken. If the party not proposing said engineering studies does not elect to join in such expansion and the parties cannot reach agreement as to an alternate plan of expansion or on an agreement which would permit expansion in accordance with the studies prepared at the request of the party proposing such expansion, the Plant will not be expanded. To minimize the possibility of such an impasse occurring, it is understood that both Enterprise and Hercules shall negotiate in good faith in an effort to reach a solution regarding such proposed expansion which is equitable under the circumstances.

SECTION 9.2 DEBOTTLENECKING PROJECTS

It is contemplated that from time to time during the term of this Agreement either Enterprise or Hercules will propose improvements, additions or acquisitions ("New Projects") directed to reduction of operating costs or improvements of yields at the Plant. If the other party, Enterprise or Hercules, as the case may be, does not approve the proposed New Project, the proposing party may nonetheless proceed with the New Project upon contribution of the total cost thereof; but the ownership interests of Enterprise and Hercules in the Plant shall not be adjusted. If Hercules is the party proceeding with the New Project, Hercules shall be entitled to receive an amount equal to the annual savings attributable to the New Project, before Federal and state income

tax. Except as specifically provided in this paragraph, expenditures for New Projects shall not otherwise affect the rights and obligations of either Enterprise or Hercules under this Agreement and/or the Propylene Sales Agreement.

ARTICLE X

EVENTS OF DEFAULT

SECTION 10.1 EVENTS OF DEFAULT DEFINED

A. Any material violation or breach by Enterprise or Hercules in the due performance of, or compliance with, any of its obligations under this Agreement and/or the Propylene Sales Agreement shall constitute an "Event of Default" or "Default" under this Agreement if, after the other party hereto shall have given the defaulting party written notice thereof, specifying with particularity the condition, act, omission or course of conduct asserted to constitute such material violation or breach, the defaulting party, within 60 days of such notice, has not cured, corrected or eliminated the asserted violation or breach or, if the asserted violation or breach cannot be corrected within such 60 day period, the defaulting party has not instituted corrective action within the applicable period and/or thereafter diligently pursued such action until the default is cured, corrected or eliminated, in all events not more than 120 days from the date of the violation or breach.

B. For purposes of the provisions of paragraph A, next above, without limiting the generality of the same, a material violation or breach shall, except as specifically provided in

this Agreement or agreed to by Enterprise and Hercules, be deemed to include any of the following transactions by or caused by either party hereto:

(1) except as may otherwise be permitted under this Agreement, the sale of any property constituting a part of the Plant and/or Pipeline Systems or the sale of any undivided interest of Enterprise or Hercules in the Plant and/or Pipeline Systems;

(2) failure of Enterprise to produce and deliver Polymer Grade Propylene, because of disability under Section 12.3, in quantities sufficient to meet at least 80% of Hercules' then current requirements under the Propylene Sales Agreement (which shall be deemed not to exceed, on a monthly basis, the average of Hercules' actual receipts from Enterprise over the 6-month period preceding the disability under Section 12.3) and Enterprise's failure to deliver at such level continues for a period which constitutes an Event of Default or which would constitute an Event of Default but for the requirement that notice be given;

(3) failure of Hercules to take delivery of at least 80% of the Polymer Grade Propylene tendered under the Proloylene Sales Agreement (which shall be deemed not to exceed, on a monthly basis, the average of Hercules' actual receipts from Enterprise over the 6-month period preceding the disability under Section 12.3), because of a disability under Section 12.3, and such failure continues for a period which constitutes an Event of Default but for the requirement that notice be given; and/or

(4) failure of Enterprise to pay the rents and/or additional rents required to be paid under this Agreement at the times specified herein and continuing, (i) in the case of rent, for a period of 20 days after notice given to Enterprise by Hercules that the payment referred to in such notice has not been received, and (ii) in the case of additional rents, for the applicable period specified in paragraph 10.1A.

C. Except for inserts (2) and (3) of paragraph B, next above, the foregoing provisions of this Section are expressly subject to the provisions and limitations of Section 12.3.

SECTION 10.2 OPTIONAL TERMINATION

Whenever any Event of Default specified in Section 10.1 shall have occurred and be continuing, then at the option of the party hereto not in default, this Agreement may be terminated and the party intending to terminate shall give the defaulting party written notice of such termination. Such notice shall be given within 30 days of the Default. If notice is not given within such 30 day period, the non-defaulting party shall be required to renotify the defaulting party as provided in paragraph 10.1A before terminating. If this Agreement is terminated as a result of a Default, such termination shall be subject to the specific rights hereinafter granted Enterprise and Hercules under Article XI.

ARTICLE XI

TERM, TERMINATION AND CERTAIN RIGHTS UPON TERMINATION

SECTION 11.1 TERM OF AGREEMENT

A. This Agreement is effective as of the date first above written and shall remain in full force and effect for an initial period ending December 31, 1992, unless sooner cancelled or terminated as hereinafter provided. Provided this Agreement has not been earlier terminated and Hercules is not in default hereunder, Hercules shall have three successive options to extend

the term of this Agreement for terms of 12 years each (making three extended terms totaling 36 years). Each option shall be exercised by Hercules' giving to Enterprise written notice of intention to extend at least 12 months prior to the expiration of any then current term. Each extended term shall be upon the same agreements, terms, covenants and conditions as provided for herein for the original term, unless either Enterprise or Hercules gives written notice to the other not less than 18 months prior to termination of the initial or extended term of this Agreement that Enterprise or Hercules, as the case may be, desires adjustment of

(1) the compensation payable to Enterprise for operation and maintenance of the Pipeline Systems;

(2) the purchase price paid by Hercules for Polymer Grade Propylene produced at the Plant;

(3) the rental payable to Enterprise for storage of Feedstocks and/or Polymer Grade Propylene; and/or

(4) the rental payable to Hercules by Enterprise for lease of Hercules' interest in the Plant.

Within 15 days after said notice, Enterprise and Hercules shall undertake to negotiate in good faith a mutually acceptable modification to this Agreement and, where appropriate, to the Related Agreements. If, after 6 months after the giving of notice as provided above, Enterprise and Hercules are unable to agree upon an acceptable modification, such modification, if any, shall be determined by the procedure set forth in the next succeeding paragraph.

B. Within 25 business days after the expiration of the 6 months referred to in the paragraph next above, Enterprise and Hercules shall each appoint a person of recognized competence in

the petrochemical industry to serve as arbitrator. The two arbitrators so appointed shall appoint a third disinterested person of recognized competence in the petrochemical industry, and such three arbitrators shall as promptly as possible determine what modifications, if any, shall be made to this Agreement; provided, however, that

(1) if the second arbitrator shall not have been appointed as aforesaid, the first arbitrator shall proceed to, on 10 days notice to Enterprise and Hercules, determine such matter; and

(2) if the two arbitrators appointed by Enterprise and Hercules, respectively, shall be unable to agree (within 15 days after the appointment of the second arbitrator), upon the appointment of a third arbitrator, they shall given written notice of such failure to agree to the parties; and, if the parties fail to agree upon the selection of such third arbitrator within 15 days after the arbitrators appointed by Enterprise and Hercules give notice as aforesaid, then within 12 days thereafter either Enterprise or Hercules upon written notice to the other may request such appointment by the then President of the Natural Gas Producers Association (or any organized successor thereto), or in his absence, refusal, failure or inability to act, apply for such appointment to the President of the American Arbitration Association or its successors.

C. A determination shall be made by the majority of the arbitrators, and shall be made in accordance with the rules then obtaining of the American Arbitration Association or its successors. The decision of the arbitrators shall be conclusive upon Enterprise and Hercules and such decision may be entered in any court having jurisdiction thereof. The expenses of arbitration shall be borne equally by Enterprise and Hercules.

SECTION 11.2 TERMINATION

A. This Agreement may be cancelled and terminated at any time upon mutual written agreement by Enterprise and Hercules, or upon 30 days' written notice, by election of termination (i) by either Enterprise or Hercules pursuant to Section 10.2; (ii) by either Enterprise or Hercules, as the case may be, if the other, its successors and assigns, has assigned this Agreement, and/or any interest therein, without compliance with the requirements of, Section 12.11; or (iii) by Enterprise upon the failure of Hercules to exercise its option under Section 11.1.

B. This Agreement shall terminate ipso facto upon the happening of either of the following circumstances:

(1) The entry of a decree or order by a court having jurisdiction in the premises adjudging either Enterprise or Hercules a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of either of said companies under the Federal Bankruptcy Act or any other applicable Federal or state law, or appointing a receiver, liquidator, assignee, trustee, sequestrator or other similar official of either of said companies or of any substantial part of their property, or ordering the winding up or liquidation of their affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or

(2) The institution by either Enterprise or Hercules of proceedings to be adjudicated a bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under the Federal Bankruptcy Act or any other applicable Federal or state law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator or other similar official of said company or of any substantial part of its property, or

the making by it of an assignment for the benefit of creditors, or the admission by in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by said company in furtherance of any such action;

provided, however, that if upon application for an arrangement under Chapter XI of the Federal Bankruptcy Act (or any other similar, applicable Federal or state law) either Enterprise or Hercules, as the case may be, continues pursuant to a lawful court order to operate its business as a debtor is in possession, this Agreement shall not terminate for such period as said debtor-in-possession and control of its assets and properties and is discharging all of its obligations under this Agreement with respect to the sale, purchase and delivery of Polymer Grade Propylene.

SECTION 11.3 CERTAIN RIGHTS OF HERCULES UPON TERMINATION

A. Upon cancellation or termination of this Agreement under the following circumstances:

(1) Election of termination by Hercules pursuant to Section 10.2 or paragraph 11-2A; or

(2) Certain events of bankruptcy, insolvency or reorganization involving Enterprise, as provided in paragraph 11.2B;

then and in every such case Hercules shall have again, repossess and enjoy its former estates and may enter on the premises and take immediate possession of the Plant and/or the Pipeline Systems to the exclusion of Enterprise, anything at law or in equity and/or herein contained to the contrary notwithstanding. In such event Hercules shall be entitled to receive, and Enterprise shall forthwith:

(1) lease to Hercules all of Enterprise's interests in and to all of the real property, together with all buildings and other improvements thereon, owned or leased by Enterprise and used in connection with the Plant;

(2) lease or, at Hercules' option, sell to Hercules all of Enterprise's interests in and to all machinery, equipment, furniture, fixtures and similar personal property owned or leased by Enterprise and used in connection with the Plant;

(3) convey, transfer, assign and deliver to Hercules, without further consideration of any kind or amount, all assets, properties and description, real, personal and mixed, and wherever located, tangible and intangible, owned or leased by Enterprise and used in connection with the Plant other than the types covered by clauses (1) and (2) next above, including all of Enterprise's rights, title, interest, privileges and benefits of Enterprise in and under all permits, consents, approvals, licenses, certificates and other authorizations covering the production, sale and transportation of Polymer Grade Propylene and allied products, and all contracts (including, without limitation, contracts for the purchase of materials, supplies, services or equipment), leases, licenses and other agreements directed to the conduct of operations at the Plant and/or the Pipeline Systems, but expressly excepting cash and accounts receivables, inventories of raw materials, work in progress, finished product and goodwill;

(4) lease to Hercules all of Enterprise's interests in and to all of the real property, together with all buildings and improvements thereon, owned or leased by Enterprise and used in connection with the Pipeline Systems;

(5) lease, or at Hercules' option, sell to Hercules all assets, properties and rights of every type and description, real, personal and mixed, and wherever located, tangible and intangible, owned or leased by Enterprise and used in connection with the Pipeline Systems, including all of Enterprise's right, title and interest in and to all leasehold estates, easements, rights-of-way and contracts, licenses and other agreements, but expressly excepting cash and accounts

receivables, inventories of raw materials, work in progress, finished product and goodwill.

B. The foregoing leases and/or sales, and all instruments of conveyance, transfer and/or assignments necessary to effect and evidence the lease and sales shall be in such form as will permit Hercules thereunder to operate, maintain and repair the Plant and/or Pipeline Systems in a usual and customary manner. The term of all leases shall be for periods of not less than the unexpired term (including renewals) of this Agreement, and the annual rental under each shall not exceed, in the case of a lease of the Plant, 4 cents per gallon for 50% of all Polymer Grade Propylene produced at the Plant; and, in the case of a lease of the Pipeline Systems, the actual lease cost plus 1 cent per gallon for all Polymer Grade Propylene transported through the Pipeline Systems.

C. The purchase price for assets, properties and rights purchased under this Section shall be the fair market value thereof.

D. Contemporaneously with and upon its execution of the lease pursuant to clause (1) of paragraph 11.3A, Enterprise without further consideration and at its own cost and expense shall:

(1) grant to Hercules all requisite rights in land, easements and rights-of-way in, on, under, over, along, across and through such portions of properties owned or otherwise possessed and/or occupied by Enterprise (collectively, "Enterprise's Remaining Lands"), with full right of ingress and egress, for the purpose of operating, maintaining and repairing the Plant and/or Pipeline Systems (including rights in land, easements and rights-of-way (i) for pedestrian and vehicular traffic to use all present and future walks, railroads, roads and driveways upon Enterprise's

Remaining Lands in order to provide Hercules with all necessary or convenient ingress and egress between the Plant and railroads, public roads and highways; (ii) for the passage of pedestrians, vehicles and pipelines through any part of Enterprise's Remaining Lands necessary or convenient for Hercules, its successors and assigns, in order to assure the passage of finished goods, raw materials and items in the process of manufacture from one portion of the Plant and/or Pipeline Systems to another, it being intended that Hercules, its successors and assigns, shall have such rights and easements as are necessary for the movement of goods, personnel and vehicles through the various parcels of land comprising Enterprise's Remaining Lands in order to permit and facilitate the operation, maintenance and repair of the Plant and/or Pipeline Systems; and (iii) for the construction, maintenance, renewal, replacement and use on, over and under any part of Enterprise's Remaining Lands, such pipes, conduits and wires as are necessary or convenient to ensure access to and an adequate system for or supply of sewage and waste disposal, steam, compressed air, inert gas, process and space heat, communications, instrumentation and control systems, water, gas, electricity and other similar facilities to the Plant and/or Pipeline Systems (including the right to make connections with pipes, conduits and wires on Enterprise's Remaining Lands), all on a permanent, non-exclusive and non-transferable basis and in form and substance reasonably acceptable to Hercules;

(2) enter into an agreement with Hercules whereby Enterprise agrees for the duration of the aforesaid leases (including any extensions, renewals or successors uses thereto) to operate all necessary common facilities in a manner to provide Hercules with the utilities and services required for the operation, maintenance and repair of the Plant and/or Pipeline Systems, all at a cost to Hercules which is reasonable and consistent with the cost thereof from other available sources; and

(3) if requested to do so by Hercules, use its best efforts to assist Hercules in procuring from the appropriate state, municipal and other authorities and corporations, connection arrangements for an adequate supply of water, gas, electricity, telephone and other utilities and for adequate highways, railroads, effluent disposal and sewage disposal for the operation of the Plant and/or Pipeline Systems.

E. From time to time, at Hercules' request (whether at or after the consummation of the leases, conveyances and easements and licenses provided for in this Section), Enterprise, without further consideration and at its own cost and expense, shall execute and deliver to Hercules such instruments and take such other action as Hercules may reasonably request to perfect any lease, conveyance, easement or license provided for under this Section.

F. If this Agreement is terminated upon the occurrence of any of the events of bankruptcy, insolvency or reorganization involving Enterprise specified in paragraph 11.1B, Enterprise's trustee in bankruptcy or other legal representative shall execute such documents, in form satisfactory to Hercules, as may be necessary to effect and evidence the leases, conveyances, easements and licenses provided for in this Section 11.3. If such trustee or legal representative fails or refuses to execute such documents, Hercules is hereby irrevocably authorized to execute them in the name of, and on behalf of Enterprise, as the attorney-in-fact for Enterprise.

SECTION 11.4 CERTAIN RIGHTS OF ENTERPRISE UPON TERMINATION

A. Upon cancellation or termination of this Agreement under the following circumstances:

(1) Election of termination by Enterprise pursuant to Section 10.2 or paragraph 11.2A; or

(2) Certain events of bankruptcy, insolvency or reorganization involving Hercules, as provided in paragraph 11.2B;

then and in every such case Enterprise shall have a right to purchase from Hercules, the ownership interests of Hercules in the Plant and/or Pipeline Systems.

B. The purchase price for assets, properties, rights and business purchased under this Section shall be the fair market value thereof.

SECTION 11.5 DETERMINATION OF FAIR MARKET VALUE

If Enterprise and Hercules cannot agree on the price and terms of sale for any interest, or part thereof, to be sold and purchased under Sections 11.3 and 11.4, then Enterprise and Hercules shall promptly appoint one experienced and qualified appraiser to determine such "fair market value" and they shall simultaneously report to each Enterprise and Hercules within 30 days of their appointment of their appraisal as to the "fair market value" of the interest or part thereof. Such "fair market value" shall be as of the date of the offer to buy said interest or part thereof. In case the two appraisers cannot agree as to the "fair market value" then the two appraisers shall within 15 days thereafter appoint a third appraiser and the third appraiser shall within 30 days after his appointment report to each Hercules and Enterprise his determination of "fair market value". The "fair market value" as determined by the appraisers or appraiser, as the case may be, shall in no event be less than twice the book value of the assets, properties and/or rights to be conveyed as reflected on the books of the selling party. In the case of the Plant and the Pipeline Systems, the book value of each shall be computed by depreciating the properties on straight line depreciation over a period of 11 years. The "fair market value" determined by the two appraisers, or if they cannot agree on the "fair

market value", then the "fair market value" determined by the single appraiser appointed by them, as the case may be, shall be a final and binding "fair market value" upon Hercules and Enterprise and judgment upon the "fair market value" determined by the appraisers or appraiser may be entered in any court having jurisdiction thereof.

SECTION 11.6 FURTHER ASSISTANCE

From time to time, at the other party's request (whether at or after the consummation of the sale), the selling party, without further consideration and at its own cost and expense, shall execute and deliver to the purchasing party such instruments and take such other actions as such other party may reasonably request to perfect the sale of any interests sold and purchased under Sections 11.3 and 11.4, subject to and upon payment by the purchasing party of the consideration provided for in its offer.

ARTICLE XII

MISCELLANEOUS

SECTION 12.1 PATENT INDEMNIFICATION

It is expressly understood and agreed that the indemnities contained in Section 8.5 include the obligation of Enterprise to indemnify, protect and save harmless Hercules and its successors, assigns, officers, directors, employees and agents from and against all claims, liabilities and losses arising from infringement or alleged infringement of any right of a third party by the practice of any process and/or the use of any equipment, machinery or other facilities in the Plant and/or Pipeline

Systems or by the sale of any product produced at the Plant.

SECTION 12.2 WAIVER OF STATUTORY RIGHTS

Enterprise hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any interests leased hereunder, except in accordance with the express terms hereof.

SECTION 12.3 FORCE MAJEURE

In the event either Hercules or Enterprise is rendered unable, wholly or in part, by force majeure to perform or observe the terms, provisions and conditions of this Agreement, other than to make payment of monies due hereunder, then, upon such party giving notice and full particulars of such force majeure in writing or by telegraph to the other party, the obligations of the party giving such notice to perform or observe the terms, provisions and conditions, as far as they are affected by such force majeure, shall be suspended during the continuance of an inability so caused, but no longer period, and such cause shall, as far as reasonably possible, be remedied with all reasonable dispatch. Neither party shall be liable to the other for loss or damages by reason of any act, omission or circumstance occasioned by or in consequence of force majeure, as defined herein; and such act, omission or circumstance shall not constitute or be deemed to be a breach of or default under this Agreement.

The term "force majeure" as used herein means: fires, floods, earthquakes and other acts of God; strikes, lockouts or other labor disturbances; explosions, accidents or destruction or damage to facilities used to perform under this Agreement; breakage of machinery or equipment or pipelines; civil commotions, riots, sabotage, wars, blockades or acts of public enemy; acts, restraints, requisitions, regulations or directions of any governmental authorities; shortages of labor, fuel, power or raw materials; inability to obtain

supplies from normal sources of supplies; inability to obtain or delays of transportation facilities; and other causes, whether similar or dissimilar to the kind enumerated, not within the reasonable control of the party claiming force majeure and which by the exercise of reasonable diligence such party is unable to prevent or overcome.

It is understood and agreed that the term "force majeure" also includes the voluntary or mandatory compliance with any request of the United States Government, or any office, department, agency or commission thereof for purposes of national defense as well as the voluntary or mandatory compliance with any request for materials represented to be for purposes of producing articles for national defense or completing national defense facilities.

It is further understood and agreed that the settlement of any and all labor disputes shall be entirely within the discretion of the party having the difffculty, and that the requirement that any force majeure, shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of the opposing party when such course is inadvisable in the discretion of the party having the difficulty.

SECTION 12.4 DENIAL OF PARTNERSHIP

This Agreement does not and shall not be construed to create or constitute a partnership, association or joint venture of any kind. The obligations of the parties hereto shall be several, and not joint or collective, each party to be responsible only for the obligations assumed herein by it. Nothing contained herein shall be deemed to impose upon any other party any responsibility for the obligations assumed by any other party.

SECTION 12.5 INDEPENDENT CONTRACTOR

Enterprise shall construct, operate and maintain the Plant and Pipeline Systems at its sole risk

and account and shall assume full responsibilitv therefor. Nothing in this Agreement shall be deemed to constitute Enterprise, its affiliates or contractors, or the agents or employees of any of them, as the agent, representative or employee of Hercules. Neither Enterprise, its affiliates or contractors, nor its agents or employees or any of them, shall have or exercise the right to bind Hercules to any contractual obligation or undertaking. Enterprise shall be an independent contractor and shall use its own discretion and shall have complete control over the construction, operation and maintenance of the Plant and Pipeline Systems and as to the details of performing such work.

SECTION 12.6 ECONOMIC HARDSHIP

In the event that governmental or other conditions change the economic relationship of the parties to the gross disadvantage of one of the parties in a manner for which no adequate relief is provided in this Agreement, the party believing it is so disadvantaged may, upon 90 days' notice to the other, convene a meeting to discuss an equitable resolution of the alleged hardship. If such meeting does not lead to a resolution, the existing commitment shall remain in effect without legal recourse under this Section on the part of either party.

SECTION 12.7 NO REMEDY EXCLUSIVE

No remedy herein conferred upon or reserved to Hercules or Enterprise under this Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Hercules or Enterprise to exercise any remedy reserved to it in this Agreement, it shall

not be necessary to give any notice, other than such notice as may be herein expressly required.

SECTION 12.8 GRANTING OF EASEMENTS

If no Event of Default shall have happened and be continuing, Enterprise may at any time or times grant easements, licenses, rights-of-way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to any property included in the Plant and/or Pipeline Systems, or Enterprise may release existing easements, licenses, rights-of-way and other rights or privileges. If said grant or release is approved by Hercules, it may be extended without consideration. Hercules shall execute and deliver any instrument necessary or appropriate to confirm and grant or release any such easement, license, right-of-way or other right or privilege upon receipt of:

(1) A copy of the instrument of grant or release;

(2) A written application signed by Enterprise requesting such instrument; and

(3) A certificate executed by Enterprise stating:

(a) That such grant or release is not detrimental to the proper conduct of the business of Enterprise; and

(b) That such grant or release will not impair the effective use or interfere with the operation of the Plant and/or Pipeline Systems.

Any and all consideration received in respect of such easements, licenses, rights-of-way and other rights or privileges shall be shared equally by Enterprise and Hercules.

SECTION 12.9 HERCULES' RIGHT TO PERFORM FOR ENTERPRISE

If Enterprise shall at any time fail to make a payment or perform any other act on its part to be made or performed under this Agreement, Hercules may, but shall not be obligated to, and without notice or demand and without waiving or releasing Enterprise from any obligation of Enterprise under this Agreement, make such payment or perform such other act to the extent Hercules may deem desirable. All sums so paid by Hercules and all expenses in connection therewith, together with interest on such amount at the rate, per annum, specified in paragraph 2.5E, shall be payable to Hercules on demand.

SECTION 12.10 NOTICES

All notices, demands, requests, consents or other communications provided for or permitted to be given pursuant to this Agreement shall be in writing and shall be deemed to have been given or made if signed by a proper officer designated for such purposes and delivered personally to the party to be notified, or if mailed to such party at the address set forth below, postage prepaid, and registered or certified with return receipt requested:

If to Enterprise:

Enterprise Petrochemical Company
1100 Milam Building
Houston, Texas 77002

Attention:

If to Hercules:

Hercules Incorporated
910 Market Street
Wilmington, Delaware 19801

Attention: Director, Plastic Resins
Business Center

or, in each case, at such other address as shall have been designated most recently in writing by such party to the party so delivering or mailing. Notices given or served pursuant to this Section shall be effective upon receipt by the party to be notified. Each party may from time to time change its address by written notice to the other party.

SECTION 12.11 ASSIGNMENT OR TRANSFER OF INTEREST IN THE PLANT AND PIPELINE SYSTEMS

Neither Enterprise nor Hercules may sell, assign, transfer, encumber, pledge, hypothecate, lease or otherwise dispose of any interest in and to the Plant and/or Pipeline Systems without the consent of the other, except as provided below.

The total interest of either party hereto in and to the Plant and/or Pipeline Systems may be sold, assigned and transferred to a third party purchaser after the selling party has notified the other party hereto in writing of the identity of the proposed purchaser and the price and other terms and conditions of the sale and given said other party the first preferential right to buy such interest in and to the Plant and/or Pipeline Systems, as the case may be, at the same price, terms and conditions the offeror is willing to accept from such third party purchaser. Said other party shall have 30 days in which to elect to purchase such interest upon the same terms and conditions and 90 days thereafter in which to consummate such purchase. If the offeree party does not elect to purchase, or fails to consummate the purchase if it does elect to so purchase, then the offeror party may then sell such interest to the third party purchaser on the basis offered. The failure of the offeree party to accept or reject such offer within the 30 day period shall be considered a rejection of such offer. If the offeror party does not consummate the sale of such interest to such purchaser upon the terms set forth within 90 days after the offeree party either rejected the offer or accepted and failed to consummate such purchase within 90 days thereafter, such interest in and to the Plant and/or Pipeline Systems, as the case may

be, will thereafter continue to be subject to all the restrictions contained in this Section.

Notwithstanding the provisions of the preceding paragraph, no sale, assignment or transfer of interest pursuant thereto shall be effective unless the purchaser, transferee or assignee in writing irrevocably and unconditionally assumes the due and punctual performance of the obligations of the transferor and shall agree in writing to be bound by and perform this Agreement and all other agreements made pursuant hereto and the undertaking provided in this paragraph shall be accepted by each successive purchaser, transferee or assignee.

Enterprise and Hercules each agrees that it will at all times maintain its corporate existence; provided, however, that it may consolidate with or merge into another corporation or sell or otherwise transfer to another corporation all or substantially all of its assets (or, in the case of Hercules,all or substantially all of the assets of Hercules dedicated to the manufacture and sale of polypropylene resins) as an entirety and may transfer at any time its total ownership interest in the Plant and Pipeline Systems to any corporation shall succeed to the business of such party by merger, consolidation, reorganization or transfer of all or substantially all of its assets as an entirety if the resulting, surviving or transferee corporation, as the case may be, irrevocably and unconditionally assumes the due and punctual performance of the obligations of the transferor corporation under this Agreement, and all other agreements made pursuant hereto.

The above restrictions on assignment and transfer of interest in the Plant and Pipeline Systems shall not apply in a case in which all of the issued and outstanding capital stock of Enterprise is sold, or substantially all of the assets of Enterprise as an entirety are transferred to any corporation, as part of the sale or transfer of all the issued and outstanding capital stock of Enterprise Products Company, or the sale of all or substantially all of the assets of Enterprise Products Company; provided, however, no sale, assignment or transfer of interest pursuant

thereto shall be effective unless the purchaser, transferee or assignee in writing irrevocably and unconditionally assumes the due and punctual performance of the obligations of Enterprise hereunder and shall agree in writing to be bound by and perform this Agreement and all other agreements made pursuant hereto and the undertaking provided in this paragraph shall be accepted by each successive purchaser, transferee or assignee.

SECTION 12.12 BINDING EFFECT; ASSIGNMENT

Subject to the restrictions on transfers and encumbrances as provided herein, this Agreement shall be binding upon and inure to the benefit of the undersigned parties and their respective successors and assigns.

Neither Enterprise nor Hercules, without the prior written consent of the other, may assign its rights hereunder or any interest herein, or delegate its duties or obligations hereunder, except as provided herein. Any attempt to so transfer or assign shall be void.

Whenever in this Agreement a reference to Hercules or Enterprise is made, such reference shall be deemed to include a reference to the successors and assigns of such entity.

SECTION 12.13 SEVERABILITY

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction, shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without affecting, impairing or invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not affect, impair or invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 12.14 WAIVER

No consent or waiver, express or implied, by any party to or of any breach or default by the other party in the performance of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such other party of the same or any other obligation of such party hereunder. Failure on the part of any party to complain of any act or failure to act of the other party or to declare the other party in default irrespective of how long such failure continues, shall not constitute a waiver by such party of its right hereunder.

SECTION 12.15 ASSISTANCE

At the Closing and at any time or from time to time thereafter, the parties each agree at the request of the other to execute, acknowledge and deliver, or cause to be executed, acknowledged or delivered, such further instruments of conveyance, sale transfer and assignment, and take such other action as the other may request to effectuate the purposes of this Agreement and/or the conveyances and transfers provided herein.

SECTION 12.16 EXPENSES

Each party shall pay all expenses incurred by it in connection with the authorization, preparation, execution and performance of this Agreement including, but not limited to, all fees and expenses of agents, representatives, counsel, engineers and accountants employed by it.

SECTION 12.17 AMENDMENTS, CHANGES AND MODIFICATIONS

The provisions of this Agreement, or of the Exhibits attached hereto, may not be effectively amended, changed, modified or altered except by instrument signed by duly authorized signatories for Enterprise and Hercules.

SECTION 12.18 CAPTIONS

The captions or headings in this Agreement are inserted for convenience only and in no way define, limit or describe the scope or intent of any provision of this Agreement.

SECTION 12.19 INCORPORATION OF EXHIBITS

Exhibits A, B, C, D, E, F, G, H, I, J, and K referred to herein, as the same may be amended from time to time to incorporate such changes and modifications therein as Enterprise and Hercules mutually determine and agree to in writing, are by this reference incorporated herein for all purposes.

SECTION 12.20 GOVERNING LAW

The terms of this Agreement and all rights and obligations hereunder shall be governed by, construed and enforced in accordance with the laws of the State of Texas.

IN WITNESS WHEREOF, the parties have caused the due execution of this Agreement in duplicate on the day and year first above written.

ENTERPRISE PETROCHEMICAL COMPANY

By: /s/ BILL F. BOZEMAN

Title: Senior Vice President

HERCULES INCORPORATED

By: /s/ R.R. STOVER

Title: Director, Plastic Resins
Worldwide Business Center

In consideration of, and in order to induce, Hercules Incorporated to execute the foregoing agreement and the Propylene Sales Agreement entered into concurrently with the said foregoing agreement (collectively, the "Agreements"), the undersigned, Enterprise Products Company, a Texas corporation ("Enterprise Products"), hereby joins in the foregoing agreement and by its joinder does hereby:

(1) confirm the representations and warranties contained in Section 6.1(3), (4), and (5) of the Propylene Facility and Pipeline Agreement; and

(2) guarantee to Hercules Incorporated the due and punctual observation and performance by its subsidiary, Enterprise Petrochemical Company ("Enterprise Petrochemical"), of duties and obligations of Enterprise Petrochemical arising under the Agreements and the due and punctual compliance by Enterprise Petrochemical with the terms, conditions and provisions of said Agreements in all respects.

This is a primary liability and Hercules Incorporated shall not be obligated to take any step or action against Enterprise Petrochemical as a condition precedent to the operation or enforcement of Enterprise Products' obligations under this guarantee.

This guarantee shall remain in force only so long as the Agreements remain in full force and effect; provided, however,

that in any event this guarantee shall cover all claims arising from valid acts taken during the term of the Agreements and in this respect, the guarantee shall survive the termination of the Agreements.

IN WITNESS WHEREOF, Enterprise Products Company has caused the due execution of this guarantee in duplicate on the day and year first above written.

ENTERPRISE PRODUCTS COMPANY

By /s/ DAN L. DUNCAN

Title: President

THE STATE OF DELAWARE)
)
COUNTY OF NEW CASTLE)

BEFORE ME, the undersigned authority, on this day personally appeared Bill F. Bozeman, Senior Vice President of ENTERPRISE PETROCHEMICAL COMPANY, a Texas corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes therein expressed, as the act and deed of said corporation, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 13th day of December, 1978.

[Signature appears here]

Notary Public in and for New
Castle County, Delaware

THE STATE OF DELAWARE)
)
COUNTY OF NEW CASTLE)

BEFORE ME, the undersigned authority, on this day personally appeared R. R. Stover, Director, Plastic Resins Business Center of HERCULES INCORPORATED, a Delaware corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes therein expressed, as the act and deed of said corporation, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 13th day of December, 1978.

[Signature appears here]

Notary Public in and for New
Castle County, Delaware

THE STATE OF DELAWARE)
)
COUNTY OF NEW CASTLE)

BEFORE ME, the undersigned authority, on this day personally appeared Dan L. Duncan, President of ENTERPRISE PRODUCTS COMPANY, a Texas corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes therein expressed, as the act and deed of said corporation, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 13th day of December, 1978.

[Signature appears here]

Notary Public in and for New
Castle County, Delaware

EXHIBIT 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the use in this Registration Statement of Enterprise Products Partners L.P. on Form S-1 of our report dated May 8, 1998, on the combined financial statements of Enterprise Products Partners L.P. and our report dated May 12, 1998 on the balance sheet of Enterprise Products GP, LLC, appearing in the Prospectus, which is part of this Registration Statement. We also consent to the reference to us under the heading "Experts" in such Prospectus.

DELOITTE & TOUCHE

Houston, Texas
May 13, 1998

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM COMBINED FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

YEAR	YEAR
DEC-31-1996	DEC-31-1997
JAN-01-1996	JAN-01-1997
DEC-31-1996	DEC-31-1997
28,329	23,463
0	0
105,557	76,533
0	0
26,264	18,935
169,792	127,402
683,484	716,594
185,554	202,867
712,194	698,268
223,370	191,898
0	0
0	0
0	0
0	0
276,908	282,428
712,194	698,268
995,506	1,020,281
995,506	1,020,281
906,367	937,068
930,712	960,303
0	0
0	0
21,290	23,743
65,666	53,944
0	0
65,666	53,994
0	0
0	0
0	0
65,666	53,944
0	0
0	0