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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2002

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

For the transition period from ________ to ________.

Commission file numbers: 1-14323
333-93239-01

ENTERPRISE PRODUCTS PARTNERS L.P.
ENTERPRISE PRODUCTS OPERATING L.P.
(Exact name of registrants as specified in their charters)

Delaware	76-0568219
Delaware	76-0568220
(State or other jurisdiction of incorporation of organization)	(I.R.S. Employer Identification No.)

2727 North Loop West, Houston, Texas 77008-1037
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (713) 880-6500

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

YES [X] NO [ ]

Limited Partner interests (e.g. Common Units) of Enterprise Products Partners L.P. trade on the New York Stock Exchange under symbol "EPD". As of August 7, 2002, 131,894,766 Common Units were outstanding. Enterprise Products Operating L.P. is owned 98.9899% by Enterprise Products Partners L.P. and 1.0101% by the General Partner of both registrants, Enterprise Products GP, LLC. No common equity securities of Enterprise Products Operating L.P. are publicly traded.

EXPLANATORY NOTE

This report constitutes a combined report for Enterprise Products Partners L.P. (the "Company") (Commission File No. 1-14323) and its 98.9899% owned subsidiary, Enterprise Products Operating L.P. (the "Operating Partnership") (Commission File No. 333-93239-01). Since the Operating Partnership owns substantially all of the Company's consolidated assets and conducts substantially all of the Company's business and operations, the information set forth herein, except for Part I, Item 1, constitutes combined information for the Company and the Operating Partnership. In accordance with Rule 3-10 of Regulation S-X, Part I, Item 1 contains separate financial statements for the Company and the Operating Partnership.

ENTERPRISE PRODUCTS PARTNERS L.P.
ENTERPRISE PRODUCTS OPERATING L.P.
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Glossary

The following abbreviations, acronyms or terms used in this Form 10-Q are defined below:

Acadian Gas	Acadian Gas, LLC and subsidiaries, acquired from Shell in April 2001
BBtu	Billion British thermal units, a measure of heating value
BEF	Belvieu Environmental Fuels, an equity investment of EPOLP
Belle Rose	Belle Rose NGL Pipeline LLC, an equity investment of EPOLP
BPD	Barrels per day
BRF	Baton Rouge Fractionators LLC, an equity investment of EPOLP
BRPC	Baton Rouge Propylene Concentrator, LLC, an equity investment of EPOLP
CEO	Chief Executive Officer
CFO	Chief Financial Officer
ChevronTexaco	ChevronTexaco Corp., its subsidiaries and affiliates
Company	Enterprise Products Partners L.P. and its consolidated subsidiaries, including the Operating Partnership
CPG	Cents per gallon
Diamond-Koch	Refers to affiliates of Valero Energy Corporation and Koch Industries, Inc.
Dixie	Dixie Pipeline Company, an equity investment of EPOLP
E-Oaktree	E-Oaktree, LLC, a subsidiary of the Company of whom 98% of its membership interests were acquired by us from affiliates of Williams in July 2002
EBITDA	Earnings before interest, taxes, depreciation and amortization
EPCO	Enterprise Products Company, an affiliate of the Company and our ultimate parent company
EPIK	EPIK Terminalling L.P. and EPIK Gas Liquids, LLC, collectively, an equity investment of EPOLP
EPOLP	Enterprise Products Operating L.P., the operating subsidiary of the Company (also referred to as the "Operating Partnership")
EPU	Earnings per Unit
Evangeline	Evangeline Gas Pipeline Company, L.P. and Evangeline Gas Corp., collectively, an equity investment of EPOLP
FASB	Financial Accounting Standards Board
FTC	U.S. Federal Trade Commission
GAAP	Generally Accepted Accounting Principles of the United States of America
General Partner	Enterprise Products GP, LLC, the general partner of the Company and the Operating Partnership
HSC	Denotes our Houston Ship Channel pipeline system
IPO	Refers to our initial public offering in July 1998
Kinder Morgan	Kinder Morgan Operating LP "A"
La Porte	La Porte Pipeline Company, L.P. and La Porte GP, LLC, collectively, an equity investment of the Company
LIBOR	London interbank offering rate
Mapletree	Mapletree, LLC, a subsidiary of the Company of whom 98% of its membership interests were acquired by us from affiliates of Williams in July 2002
MBA	Mont Belvieu Associates, see "MBA acquisition" below
MBA acquisition	Refers to the acquisition of Mont Belvieu Associates' remaining interest in the Mont Belvieu NGL fractionation facility in 1999
MBFC	Mississippi Business Finance Corporation
MBPD	Thousand barrels per day
Mid-America	Mid-America Pipeline Company, LLC
MMcf/d	Million cubic feet per day
MMBtu/d	Million British thermal units per day, a measure of heating value
MMBtus	Million British thermal units, a measure of heating value
Mont Belvieu	Mont Belvieu, Texas
Mont Belvieu III	Refers to the propylene fractionation facility acquired from Diamond-Koch
Moody's	Moody's Investors Service
MTBE	Methyl tertiary butyl ether
Nemo	Nemo Gathering Company, LLC, an equity investment of EPOLP
Neptune	Neptune Pipeline Company, LLC, an equity investment of EPOLP
NGL or NGLs	Natural gas liquid(s)
NYSE	New York Stock Exchange
Ocean Breeze	Ocean Breeze Pipeline Company, LLC, an equity investment of EPOLP (merged into Neptune during fourth quarter of 2001)
Operating Partnership	Enterprise Products Operating L.P. and its subsidiaries
OTC	Olefins Terminal Corporation, an equity investment of the Company
Promix	K/D/S Promix LLC, an equity investment of EPOLP
SEC	U.S. Securities and Exchange Commission
Seminole	Seminole Pipeline Company
SFAS	Statement of Financial Accounting Standards issued by the FASB
Shell	Shell Oil Company, its subsidiaries and affiliates
S and P	Standard and Poor's Rating Services
Starfish	Starfish Pipeline Company LLC, an equity investment of EPOLP
TNGL acquisition	Refers to the acquisition of Tejas Natural Gas Liquids, LLC, an affiliate of Shell, in 1999
Tri-States	Tri-States NGL Pipeline LLC, an equity investment of EPOLP
VESCO	Venice Energy Services Company, LLC, a cost method investment of EPOLP
Williams	The Williams Companies, Inc. and subsidiaries
Wilprise	Wilprise Pipeline Company, LLC, an equity investment of EPOLP

PART I. FINANCIAL INFORMATION.
Item 1A. CONSOLIDATED FINANCIAL STATEMENTS.
Enterprise Products Partners L.P.
Consolidated Balance Sheets
(Dollars in thousands)

ASSETS	June 30, 2002 (unaudited)	December 31, 2001
Current Assets		
Cash and cash equivalents (includes restricted cash of $5,034 at June 30, 2002 and $5,752 at December 31, 2001)	$ 7,929	$ 137,823
Accounts and notes receivable - trade, net of allowance for doubtful accounts of $21,098 at June 30, 2002 and $20,642 at December 31, 2001	284,021	256,927
Accounts receivable - affiliates	1,740	4,375
Inventories	153,280	69,443
Prepaid and other current assets	34,089	50,207
Total current assets	481,059	518,775
Property, Plant and Equipment, Net	1,570,571	1,306,790
Investments in and Advances to Unconsolidated Affiliates	403,070	398,201
Intangible assets, net of accumulated amortization of $18,235 at June 30, 2002 and $13,084 at December 31, 2001	249,222	202,226
Goodwill	81,543	
Other Assets	6,911	5,201
Total	$2,792,376	$2,431,193
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities		
Accounts payable - trade	$70,716	$54,269
Accounts payable - affiliates	21,233	29,885
Accrued gas payables	303,983	233,536
Accrued expenses	12,961	22,460
Accrued interest	24,676	24,302
Other current liabilities	70,672	44,764
Total current liabilities	504,241	409,216
Long-Term Debt	1,223,552	855,278
Other Long-Term Liabilities	7,919	8,061
Minority Interest	10,818	11,716
Commitments and Contingencies		
Partners' Equity		
Common Units (112,954,266 Units outstanding at June 30, 2002 and 102,721,830 at December 31, 2001)	589,504	651,872
Subordinated Units (32,114,804 Units outstanding at June 30, 2002 and 42,819,740 December 31, 2001)	165,818	193,107
Special Units (29,000,000 Units outstanding at June 30, 2002 and December 31, 2001)	296,634	296,634
Treasury Units, at cost (799,700 Common Units outstanding at June 30, 2002 and 327,200 at December 31, 2001)	(16,736)	(6,222)
General Partner	10,626	11,531
Total Partners' Equity	1,045,846	1,146,922
Total	$2,792,376	$2,431,193

See Notes to Unaudited Consolidated Financial Statements

Enterprise Products Partners L.P.
Statements of Consolidated Operations
(Dollars in thousands, except per Unit amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
REVENUES				
Revenues from consolidated operations	$786,257	$959,397	$1,448,311	$1,795,712
Equity income in unconsolidated affiliates	7,068	9,050	16,295	11,061
Total	793,325	968,447	1,464,606	1,806,773
COST AND EXPENSES				
Operating costs and expenses	745,621	851,639	1,410,044	1,629,380
Selling, general and administrative	7,740	7,737	15,702	13,905
Total	753,361	859,376	1,425,746	1,643,285
OPERATING INCOME	39,964	109,071	38,860	163,488
OTHER INCOME (EXPENSE)				
Interest expense	(19,032)	(16,331)	(37,545)	(23,318)
Interest income from unconsolidated affiliates	62	7	92	31
Dividend income from unconsolidated affiliates	1,242		2,196	1,632
Interest income - other	241	1,479	1,575	5,477
Other, net	46	(251)	(31)	(531)
Other income (expense)	(17,441)	(15,096)	(33,713)	(16,709)

INCOME BEFORE MINORITY INTEREST	22,523	93,975	5,147	146,779
MINORITY INTEREST	(203)	(944)	(30)	(1,478)
NET INCOME	$ 22,320	$ 93,031	$ 5,117	$ 145,301
ALLOCATION OF NET INCOME TO:				
Limited partners	$ 19,672	$ 91,643	$ 1,223	$ 142,931
General partner	$ 2,648	$ 1,388	$ 3,894	$ 2,370
BASIC EARNINGS PER UNIT				
Income before minority interest	$ 0.14	$ 0.68	$ 0.01	$ 1.07
Net income per Common and Subordinated unit	$ 0.14	$ 0.68	$ 0.01	$ 1.06
DILUTED EARNINGS PER UNIT				
Income before minority interest	$ 0.11	$ 0.55	$ 0.01	$ 0.86
Net income per Common, Subordinated and Special unit	$ 0.11	$ 0.54	$ 0.01	$ 0.85

See Notes to Unaudited Consolidated Financial Statements

Enterprise Products Partners L.P.
Statements of Consolidated Cash Flows
(Dollars in thousands)
(Unaudited)

	Six Months Ended June 30,	
	2002	2001
OPERATING ACTIVITIES		
Net income	$ 5,117	$145,301
Adjustments to reconcile net income to cash flows provided by (used for) operating activities:		
Depreciation and amortization	35,349	23,234
Equity in income of unconsolidated affiliates	(16,295)	(11,061)
Distributions received from unconsolidated affiliates	29,113	13,212
Leases paid by EPCO	4,534	5,267
Minority interest	30	1,478
Loss (gain) on sale of assets	12	(387)
Changes in fair market value of financial instruments (see Note 13)	19,702	(55,880)
Net effect of changes in operating accounts	(32,379)	(30,569)
Operating activities cash flows	45,183	90,595
INVESTING ACTIVITIES		
Capital expenditures	(26,755)	(57,090)
Proceeds from sale of assets	12	563
Business acquisitions, net of cash received	(394,775)	(225,665)
Investments in and advances to unconsolidated affiliates	(10,137)	(115,282)
Investing activities cash flows	(431,655)	(397,474)
FINANCING ACTIVITIES		
Long-term debt borrowings	538,000	449,716
Long-term debt repayments	(170,000)	
Debt issuance costs	(418)	(3,125)
Cash dividends paid to partners	(99,010)	(76,112)
Cash dividends paid to minority interest by Operating Partnership	(1,014)	(783)
Cash contributions from EPCO to minority interest	86	53
Treasury Units purchased	(11,066)	
Increase in restricted cash	718	(7,321)
Financing activities cash flows	257,296	362,428
NET CHANGE IN CASH AND CASH EQUIVALENTS	(129,176)	55,549
CASH AND CASH EQUIVALENTS, JANUARY 1	132,071	60,409
CASH AND CASH EQUIVALENTS, JUNE 30	$ 2,895	$115,958

See Notes to Unaudited Consolidated Financial Statements

Enterprise Products Partners L.P.
Notes to Unaudited Consolidated Financial Statements

1.GENERAL

In the opinion of Enterprise Products Partners L.P., the accompanying unaudited consolidated financial statements include all adjustments consisting of normal recurring accruals necessary for a fair presentation of its consolidated financial position as of June 30, 2002 and consolidated results of operations and cash flows for the three and six months ended June 30, 2002 and 2001. Within these footnote disclosures of Enterprise Products Partners L.P., references to "we", "us", "our" or "the Company" shall mean the consolidated financial statements of Enterprise Products Partners L.P.

References to "Operating Partnership" shall mean the consolidated financial statements of our primary operating subsidiary, Enterprise Products Operating L.P., which are included elsewhere in this combined report on Form 10-Q. We own 98.9899% of the Operating Partnership and act as guarantor of certain debt obligations of the Operating Partnership. Our General Partner, Enterprise Products GP, LLC, owns the remaining 1.0101% of the Operating Partnership. Essentially all of our assets, liabilities, revenues and expenses are recorded at the Operating Partnership level in our consolidated financial statements.

Although we believe the disclosures in these financial statements are adequate to make the information presented not misleading, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the SEC. These unaudited financial statements should be read in conjunction with our annual report on Form 10-K (File No. 1-14323) for the year ended December 31, 2001.

The results of operations for the three and six months ended June 30, 2002 are not necessarily indicative of the results to be expected for the full year.

Dollar amounts presented within these footnote disclosures are stated in thousands of dollars, unless otherwise indicated.

Certain abbreviated entity names and other capitalized terms are described within the glossary of this quarterly report on Form 10-Q.

Two-for-one split of Limited Partner Units

On February 27, 2002, the General Partner approved a two-for-one split for each class of our partnership Units. The partnership Unit split was accomplished by distributing one additional partnership Unit for each partnership Unit outstanding to holders of record on April 30, 2002. The Units were distributed on May 15, 2002. All references to number of Units or earnings per Unit contained in this document reflect the Unit split, unless otherwise indicated.

2. BUSINESS ACQUISITIONS

Acquisition of Diamond-Koch propylene fractionation business in February 2002

In February 2002, we purchased various propylene fractionation assets and certain inventories of refinery grade propylene, propane, and polymer grade propylene from Diamond-Koch. These include a 66.7% interest in a polymer grade propylene fractionation facility located in Mont Belvieu, Texas (the "Mont Belvieu III" facility), a 50% interest in an entity which owns a polymer grade propylene export terminal located on the Houston Ship Channel in La Porte, Texas, and varying interests in several supporting distribution pipelines and related equipment. Mont Belvieu III has the capacity to produce approximately 41 MBPD of polymer grade propylene. These assets are part of our Mont Belvieu propylene fractionation operations, which is part of the Fractionation segment. The purchase price of $239.0 million was funded by a drawdown on our Multi-Year and 364-Day Credit Facilities (see Note 8).

Acquisition of Diamond-Koch storage business in January 2002

In January 2002, we purchased various hydrocarbon storage assets from Diamond-Koch. The storage facilities consist of 30 salt dome storage caverns with a useable capacity of 68 million barrels, local distribution pipelines and related equipment. The facilities provide storage services for mixed natural gas liquids, ethane, propane, butanes, natural gasoline and olefins (such as ethylene), polymer grade propylene, chemical grade propylene and refinery grade propylene.

The facilities are located in Mont Belvieu, Texas and serve the largest petrochemical and refinery complex in the United States. Collectively, these facilities represent the largest underground storage operation of its kind in the world. The size and location of the business provide it with a competitive position to increase its services to expanding Gulf Coast petrochemical complexes. These assets are part of our Mont Belvieu storage operations, which is part of the Pipelines segment. The purchase price of $129.6 million was funded by utilizing cash on hand.

Allocation of purchase price of Diamond-Koch acquisitions

The Diamond-Koch acquisitions were accounted for under the purchase method of accounting and, accordingly, the purchase price of each has been allocated to the assets acquired and liabilities assumed based on their estimated fair values as follows:

	Estimated Fair Values at		
	Feb. 1, 2002 Propylene Fractionation	Jan. 1, 2002 Storage	Total
Inventories	$ 4,994		$ 4,994
Prepaid and other current assets	3,148	$ 890	4,038
Property, plant and equipment	96,772	120,571	217,343
Investments in unconsolidated affiliates	7,550		7,550
Intangible assets (see Note 7)	53,000	8,127	61,127
Goodwill (see Note 7)	73,686		73,686
Current liabilities	(107)		(107)
Total purchase price	$239,043	$129,588	$368,631

The fair value estimates were developed by independent appraisers using recognized business valuation techniques. The allocation of the purchase price is preliminary pending the results of a repermitting process expected to be complete during the fourth quarter of 2002.

The purchase price paid for the propylene fractionation business resulted in $73.7 million in goodwill. The goodwill primarily represents the value management has attached to future earnings improvements and to the strategic location of the assets. Earnings from the propylene business are expected to improve substantially from the last few years with the years 2003 and 2004 projected to be peak years in the petrochemical business cycle. Additionally, the demand for chemical grade and polymer grade propylene is forecast to grow at an average of 4.4% per year from 2002 to 2006.

The propylene fractionation assets are located in Mont Belvieu, Texas on the Gulf Coast, the largest natural gas liquids and petrochemical marketplace in the U.S. The assets have access to substantial supply from major Gulf Coast and central U.S. producers of refinery grade propylene. The polymer grade products produced at the facility have competitive advantages because of distribution direct to customers via affiliated pipelines and through an affiliated export facility.

Acadian Gas post-closing adjustments completed in April 2002

In April 2002, we finalized the post-closing purchase price adjustment associated with our April 2001 acquisition of Acadian Gas. Acadian Gas was acquired from an affiliate of Shell and is involved in the purchase, sale, transportation and storage of natural gas in Louisiana. As a result, we paid Shell $18.0 million for various

working capital items, of which the majority were related to natural gas inventories. The Acadian Gas acquisition was accounted for under the purchase method of accounting and, accordingly, the final purchase price has been allocated to the assets acquired and liabilities assumed based on their estimated fair values at April 1, 2001 as follows:

Current assets	$ 83,123
Investments in unconsolidated affiliates	2,723
Property, plant and equipment	232,187
Current liabilities	(72,896)
Other long-term liabilities	(1,460)
Total purchase price	$243,677

Pro forma effect of Diamond-Koch and Acadian Gas business acquisitions

As noted earlier, the Acadian Gas acquisition occurred on April 1, 2001. We acquired Diamond-Koch's storage business on January 1, 2002 and its propylene fractionation business on February 1, 2002. As a result, our actual fiscal 2002 Statements of Consolidated Operations reflect the Diamond-Koch propylene fractionation business and the Diamond-Koch storage business from their respective acquisition dates through June 2002 and the results of Acadian Gas. For the first six months of fiscal 2001, our Statements of Consolidated Operations reflect only three months of Acadian Gas.

The following table presents unaudited pro forma financial information incorporating the historical (pre-acquisition) financial results of the propylene fractionation and storage assets we acquired from Diamond-Koch and those of Acadian Gas that we acquired from Shell. This information is helpful in gauging the possible impact that these acquisitions might have had on our results of operations had they been completed on January 1, 2001 as opposed to the actual dates that these acquisitions occurred. The pro forma information is based upon data currently available to and certain estimates and assumptions made by management and, as a result, are not necessarily indicative of our financial results had the transactions actually occurred on these dates. Likewise, the unaudited pro forma information is not necessarily indicative of our future financial results.

	Three Months Ended June 30,	Six Months Ended June 30,	
	2001	2002	2001
Revenues	$1,043,671	$1,482,040	$2,195,472
Income before extraordinary item and minority interest	$ 90,424	$ 5,085	$ 147,174
Net income	$ 89,517	$ 5,055	$ 145,692
Allocation of net income to			
Limited partners	$ 88,128	$ 1,161	$ 143,322
General Partner	$ 1,389	$ 3,894	$ 2,370
Units used in earnings per Unit calculations			
Basic	135,334	145,404	135,334
Diluted	168,334	174,404	168,334
Income per Unit before minority interest			
Basic	$ 0.66	$ 0.01	$ 1.07
Diluted	$ 0.53	$ 0.01	$ 0.86
Net income per Unit			
Basic	$ 0.65	$ 0.01	$ 1.06
Diluted	$ 0.52	$ 0.01	$ 0.85

Minor acquisitions initiated during the second quarter of 2002

We initiated the purchase of an additional interest in our Mont Belvieu NGL fractionation from ChevronTexaco and the acquisition of a gas processing plant and NGL fractionator in Louisiana from Western Resources during the second quarter of 2002. Due to the immaterial nature and incomplete status of these two transactions, our discussion of each minor purchase is limited to the following:

Acquisition of ChevronTexaco's interest in our Mont Belvieu NGL fractionator. In April 2002, we executed an agreement with an affiliate of ChevronTexaco to purchase their 12.5% undivided ownership interest in our Mont Belvieu, Texas NGL fractionator. The purchase price was approximately $8.0 million. The Mont Belvieu facility has a gross NGL fractionation capacity of 210 MBPD of which 26.2 MBPD was ChevronTexaco's net share. ChevronTexaco was required to sell their 12.5% interest in a consent order by the FTC as a condition of approving the merger between Chevron and Texaco. The effective date of the purchase was June 1, 2002.

The other joint owners of the facility (affiliates of Duke Energy Field Services and Burlington Resources Inc.) have the option to acquire their pro rata share of the ChevronTexaco interest. These preferential purchase rights expire on September 30, 2002. If the other joint owners fully exercise their option to acquire their share of the interest, our ownership interest would increase to approximately 71.4% from 62.5% currently. Should the joint owners decline to exercise their options, we would own 75.0% of the facility. If the other joint owners acquire any portion of their share of the ChevronTexaco interest, our purchase price will be reduced accordingly. We expect to complete this transaction during the third quarter of 2002.

Acquisition of gas processing and NGL fractionator assets from Western Gas Resources, Inc. In June 2002, we executed an agreement to acquire a natural gas processing plant, NGL fractionator and supporting assets (including contracts) from Western Gas Resources, Inc. for $32.5 million plus certain post-closing purchase price adjustments. The "Toca Western" facilities are located in St. Bernard Parish, Louisiana near our existing Toca natural gas processing plant. The gas processing facility has a capacity of 160 MMcf/d and the NGL fractionator can fractionate up to 14.2 MBPD of NGLs.

This purchase is subject to a preferential purchase right by the other joint owners of our Yscloskey gas processing facility that expires on September 24, 2002. We are one of the largest owners in the Yscloskey plant with a 28.2% ownership interest. Should any of the other owners exercise their respective right to acquire their pro rata interest in the Toca Western facilities, it would reduce the ownership interest we ultimately acquire and the purchase price we pay. Because of the preferential rights, we expect to close this transaction during the third quarter of 2002.

3. INVENTORIES

Our inventories are as follows at the dates indicated:

	June 30, 2002	December 31, 2001
Regular trade inventory	$70,340	$35,894
Forward-sales inventory	45,960	33,549
Peak Season inventory	20,959	
Other	16,021	
Inventory	$153,280	$69,443

A description of each inventory is as follows:

- Our regular trade (or "working") inventory is comprised of inventories of natural gas, NGLs and petrochemicals that are available for immediate sale. This inventory is valued at the lower of average cost or market, with "market" being determined by spot-market related prices.

- The forward-sales inventory is comprised of segregated NGL volumes dedicated to the fulfillment of forward sales contracts and is valued at the lower of average cost or market, with "market" being defined as the weighted-average of the sales prices of the forward sales contracts.
- The peak season inventory is comprised of segregated NGL volumes that are expected to be sold outside of the current summer-winter season and is valued at the lower of average cost or market, with "market" being determined by spot-market related prices. These volumes are generally expected to be sold within the next twelve months, but may be held for longer periods depending on market conditions.
- Other inventories generally consist of segregated NGL volumes set aside for possible short-term use as fuel on an equivalent MMBtu basis. This inventory is carried at the lower of average cost or market, with "market" being determined by spot-market related prices. The volumes associated with this inventory are anticipated to be used and/or sold within the next twelve months.

Due to fluctuating market conditions in the NGL, natural gas and petrochemical industry, we occasionally recognize lower of average cost or market adjustments when the cost of our inventories exceed their net realizable value. These non-cash adjustments are charged to operating costs and expenses in the period they are recognized and affect our segment operating results in the following manner:

- NGL inventory write downs are recorded as a cost of the Processing segment's merchant activities;
- Natural gas inventory write downs are recorded as a cost of the Pipeline segment's Acadian Gas operations; and
- Petrochemical inventory write downs are recorded as a cost of the Fractionation segment's propylene fractionation business.

For the second quarter of 2002, we recognized an adjustment of $4.5 million to write down NGL inventories to their net realizable value. For the second quarter of 2001, we recorded $25.8 million of such write downs:$19.4 million against NGL inventories, $4.9 million against natural gas inventories and $1.5 million against petrochemical inventories.

For the first six months of 2002, we recognized $4.6 million in NGL inventory write downs. For the same six month period in 2001, we recorded $27.8 million in lower of average cost or market write downs. The 2001 adjustments were $21.4 million against NGL inventories, $4.9 million against natural gas inventories and $1.5 million against petrochemical inventories. To the extent our commodity hedging strategies address inventory-related risks and are successful, these inventory value adjustments are mitigated (or in some cases, reversed). See Note 13 for a description of our commodity hedging activities.

4. PROPERTY, PLANT AND EQUIPMENT

Our property, plant and equipment and accumulated depreciation are as follows at the dates indicated:

	Estimated Useful Life in Years	June 30, 2002	December 31, 2001
Plants and pipelines	5-35	$1,626,739	$1,398,843
Underground and other storage facilities	5-35	241,806	127,900
Transportation equipment	3-35	3,952	3,736
Land		20,014	15,517
Construction in progress		44,003	98,844
Total		1,936,514	1,644,840
Less accumulated depreciation		365,943	338,050
Property, plant and equipment, net		$1,570,571	$1,306,790

Property, plant and equipment is recorded at cost and is depreciated using the straight-line method over the asset's estimated useful life. Maintenance, repairs and minor renewals are charged to operations as incurred. The

cost of assets retired or sold, together with the related accumulated depreciation, is removed from the accounts, and any gain or loss on disposition is included in income.

Additions and improvements to and major renewals of existing assets are capitalized and depreciated using the straight-line method over the estimated useful life of the new equipment or modifications. These expenditures result in a long-term benefit to the Company. We generally classify improvements and major renewals of existing assets as sustaining capital expenditures and all other capital spending (on existing and new assets) as expansion capital expenditures.

Depreciation expense for the three months ended June 30, 2002 and 2001 was $13.8 million and $11.0 million, respectively. For the six months ended June 30, 2002 and 2001, it was $27.9 million and $20.3 million, respectively.

5. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED AFFILIATES

We own interests in a number of related businesses that are accounted for under the equity or cost method. The investments in and advances to these unconsolidated affiliates are grouped according the operating segment to which they relate. For a general discussion of our operating segments, see Note 14.

We acquired three equity method unconsolidated affiliates as part of our acquisition of Diamond-Koch's propylene fractionation business (see Note 2). We purchased an aggregate 50% interest in La Porte Pipeline Company, L.P. and La Porte Pipeline GP, L.L.C. (collectively, "La Porte") which together own a private polymer grade propylene pipeline extending from Mont Belvieu to La Porte, Texas. In addition, we acquired 50% of the outstanding capital stock of Olefins Terminal Corporation ("OTC") which owns a polymer grade propylene storage facility and related dock infrastructure (located on the Houston Ship Channel) for loading waterborne propylene vessels. Both the La Porte and OTC investments are considered an integral part of our Mont Belvieu III propylene fractionation operations. These investments are classified as part of our Fractionation operating segment.

The following table shows the aggregate amount of investments in and advances to (and our ownership percentages in) unconsolidated affiliates at June 30, 2002 and December 31, 2001:

	Ownership Percentage	June 30, 2002	December 31, 2001
Accounted for on equity basis:			
Fractionation:			
BRF	32.25%	$28,687	$29,417
BRPC	30.00%	18,197	18,841
Promix	33.33%	43,513	45,071
La Porte	50.00%	5,814	
OTC	50.00%	1,818	
Pipeline:			
EPIK	50.00%	14,375	14,280
Wilprise	37.35%	8,663	8,834
Tri-States	33.33%	26,448	26,734
Belle Rose	41.67%	11,211	11,624
Dixie	19.88%	37,284	37,558
Starfish	50.00%	23,777	25,352
Neptune	25.67%	77,226	76,880
Nemo	33.92%	12,211	12,189
Evangeline	49.50%	2,657	2,578
Octane Enhancement:			
BEF	33.33%	58,189	55,843
Accounted for on cost basis:			
Processing:			
VESCO	13.10%	33,000	33,000
Total		$403,070	$398,201

The following table shows equity in income (loss) of unconsolidated affiliates for the three and six months ended June 30, 2002 and 2001:

	Ownership Percentage	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
Fractionation:					
BRF	32.25%	$ 743	$ 42	$ 1,292	$ 60
BRPC	30.00%	278	252	527	404
Promix	33.33%	996	1,396	2,039	1,789
La Porte	50.00%	(173)		(265)	
OTC	50.00%	128		18	
Pipelines:					
EPIK	50.00%	(54)	(172)	1,629	(1,094)
Wilprise	37.35%	320	85	467	(137)
Tri-States	33.33%	365	135	834	100
Belle Rose	41.67%	40	29	114	(60)
Dixie	19.88%	(156)	69	561	960
Starfish	50.00%	973	1,022	1,785	1,973
Ocean Breeze	25.67%		12		14
Neptune	25.67%	682	1,095	1,460	1,789
Nemo	33.92%	44	1	22	10
Evangeline	49.50%	5	(149)	(71)	(149)
Octane Enhancement:					
BEF	33.33%	2,877	5,233	5,883	5,402
Total		$7,068	$9,050	$16,295	$11,061

Our initial investment in Promix, La Porte, Dixie, Neptune and Nemo exceeded our share of the historical cost of the underlying net assets of such entities ("excess cost"). The excess cost of these investments is reflected in our investments in and advances to unconsolidated affiliates for these entities. The excess cost amounts related to Promix, La Porte and Nemo are attributable to the tangible plant and pipeline assets of each entity, the excess cost of which is amortized against equity earnings from these entities in a manner similar to depreciation. The excess cost of Dixie includes amounts attributable to both goodwill and tangible pipeline assets, with that portion assigned to the pipeline assets being amortized in a manner similar to depreciation. The goodwill inherent in Dixie's excess cost is subject to periodic impairment testing and is not amortized. The following table summarizes our excess cost information:

	Initial Excess Cost	Unamortized balance at June 30, 2002	Unamortized balance at December 31, 2001	Amortization Charged to Equity Earnings during 2002	Amortization Period
Fractionation segment:					
Promix	$7,955	$6,794	$7,083	$199	20 years
La Porte	873	855	n/a	18	35 years
Pipelines segment:					
Dixie					
Attributable to pipeline assets	28,448	26,480	26,887	406	35 years
Goodwill	9,246	8,827	8,827	n/a	n/a
Neptune	12,768	12,221	12,404	182	35 years
Nemo	727	708	718	10	35 years

The following tables presents summarized income statement information for our unconsolidated investments accounted for under the equity method (for the periods indicated on a 100% basis).

Summarized Income Statement Data for the Three Months Ended

	June 30, 2002 Revenues	June 30, 2002 Operating Income	June 30, 2002 Net Income	June 30, 2001 Revenues	June 30, 2001 Operating Income	June 30, 2001 Net Income
Fractionation:						
BRF	$ 5,750	$ 2,295	$ 2,305	$ 3,802	$ 265	$ 294
BRPC	3,150	923	930	3,400	793	842
Promix	10,819	3,274	3,285	12,340	4,447	4,487
La Porte		(301)	(306)			
OTC	1,421	302	258			
Pipeline:						
EPIK	1,577	(117)	(109)	792	(375)	(348)
Wilprise	1,033	855	857	494	224	227
Tri-States	3,680	1,088	1,097	2,321	388	403
Belle Rose	433	95	96	407	13	21
Dixie	6,270	(1,853)	(1,191)	8,799	2,001	1,124
Starfish	6,714	2,169	1,943	7,051	2,571	2,299
Ocean Breeze				53	39	39
Neptune	6,926	2,046	2,338	9,362	5,223	5,195
Nemo	887	114	118		(27)	2
Evangeline	35,551	1,030	9	47,609	1,010	(144)
Octane Enhancement:						
BEF	58,132	8,570	8,628	76,054	15,509	15,700
Total	$142,343	$20,490	$20,258	$172,484	$32,081	$30,141

Summarized Income Statement Data for the Six Months Ended

	June 30, 2002			June 30, 2001		
	Revenues	Operating Income	Net Income	Revenues	Operating Income	Net Income
Fractionation:						
BRF	$ 10,355	$ 3,960	$ 4,007	$ 7,825	$ 300	$ 350
BRPC	6,102	1,742	1,758	6,833	1,232	1,347
Promix	20,683	6,683	6,713	21,343	5,888	5,964
La Porte		(535)	(541)			
OTC	1,792	109	37			
Pipeline:						
EPIK	9,849	3,237	3,257	1,967	(1,782)	(1,725)
Wilprise	1,804	1,248	1,251	893	(378)	(367)
Tri-States	6,780	2,490	2,503	3,953	262	299
Belle Rose	941	271	273	554	(205)	(192)
Dixie	21,398	5,552	3,331	24,036	8,301	4,829
Starfish	13,143	4,105	3,569	13,467	4,390	3,916
Ocean Breeze				87	87	65
Neptune	14,629	5,561	5,645	16,747	8,648	8,581
Nemo	1,282	40	48		(42)	36
Evangeline	61,060	1,880	(170)	47,609	1,010	(144)
Octane Enhancement:						
BEF	106,061	17,548	17,648	113,918	15,922	16,207
Total	$275,879	$53,891	$49,329	$259,232	$43,633	$39,166

6. RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2001, the FASB issued two new pronouncements: SFAS No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 prohibits the use of the pooling-of-interests method for business combinations initiated after June 30, 2001 and also applies to all business combinations accounted for by the purchase method that are completed after June 30, 2001. There are also transition provisions that apply to business combinations completed before July 1, 2001, that were accounted for by the purchase method. SFAS No. 142 was effective for our fiscal year that began January 1, 2002 for all goodwill and other intangible assets recognized in our consolidated balance sheet at that date, regardless of when those assets were initially recognized.

At December 31, 2001, our intangible assets were comprised of the values associated with the Shell natural gas processing agreement and the goodwill related to the 1999 MBA acquisition. In accordance with SFAS No. 141, we reclassified the MBA goodwill to a separate line item on our consolidated balance sheet apart from the Shell contract. Based upon SFAS No. 142, the value of the Shell natural gas processing agreement will continue to be amortized over its remaining contract term of approximately 18 years; however, amortization of the MBA goodwill will cease. The MBA goodwill will be subject to periodic impairment testing in accordance with SFAS No. 142 due to its indefinite life. For additional information regarding our intangible assets and goodwill (including additions to both classes of assets as a result of the Diamond-Koch acquisitions), see Note 7.

In accordance with the transition provisions of SFAS No. 142, we have completed an impairment review of the December 31, 2001 MBA goodwill balance. Professionals in the business valuation industry were consulted regarding the assumptions and techniques used in our analysis. As a result of this review, no impairment loss was indicated. Any subsequent impairment losses stemming from future goodwill impairment studies will be reflected as a component of operating income in the Statements of Consolidated Operations.

In addition to SFAS No. 141 and No. 142, the FASB also issued SFAS No. 143, "Accounting for Asset Retirement Obligations", in June 2001. This statement establishes accounting standards for the recognition and measurement of

a liability for an asset retirement obligation and the associated asset retirement cost. This statement is effective for our fiscal year beginning January 1, 2003. We are evaluating the provisions of this statement.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This statement addresses financial accounting and reporting for the impairment and/or disposal of long-lived assets. We adopted this statement effective January 1, 2002 and determined that it did not have any significant impact on our financial statements as of that date.

In April 2002, the FASB issued SFAS No. 145, "Rescission of SFAS Statements No. 4, 44, and 64, Amendment of SFAS No. 13, and Technical Corrections." The purpose of this statement is to update, clarify and simplify existing accounting standards. We adopted this statement effective April 30, 2002 and determined that it did not have any significant impact on our financial statements as of that date.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This standard requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to exit or disposal plan. Examples of costs covered by the standard include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing, or other exit or disposal activity. Previous accounting guidance was provided by EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 replaces Issue 94-3. SFAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. This statement is effective for our fiscal year beginning January 1, 2003. We are evaluating the provisions of this statement.

7. INTANGIBLE ASSETS AND GOODWILL

Intangible assets

Our recorded intangible assets are comprised of the estimated values assigned to contract rights we own arising from agreements with customers. According to SFAS No. 141, a contract-based intangible asset with a finite useful life is amortized over its estimated useful life, which is the period over which the asset is expected to contribute directly or indirectly to the future cash flows of the entity. It is based on an analysis of all pertinent factors including (a) the expected use of the asset by the entity, (b) the expected useful life of related assets (i.e., fractionation facility, storage well, etc.), (c) any legal, regulatory or contractual provisions, including renewal or extension periods that would not cause substantial costs or modifications to existing agreements, (d) the effects of obsolescence, demand, competition, and other economic factors and (e) the level of maintenance required to obtain the expected future cash flows.

The specific, identifiable intangible assets of a business enterprise depend largely upon the nature of its operations. Potential intangible assets include intellectual property such as technology, patents, trademarks and trade names, customer contracts and relationships, and non-compete agreements, as well as other intangible assets. The approach to the valuation of each intangible asset will vary depending upon the nature of the asset, the business in which it is utilized, and the economic returns it is generating or is expected to generate.

At June 30, 2002, our intangible assets consisted of the Shell natural gas processing agreement that we acquired as part of the TNGL acquisition in August 1999 and certain propylene fractionation and storage contracts we acquired in connection with the Diamond-Koch acquisitions in January and February 2002. The value of the Shell natural gas processing agreement is being amortized on a straight-line basis over its remaining contract term (currently $11.1 million annually from 2002 through 2019). At June 30, 2002, the unamortized value of the Shell contract was $188.8 million.

The value of the propylene fractionation and storage contracts acquired from Diamond-Koch is being amortized on a straight-line basis over the economic life of the assets to which they relate, which is currently estimated at 35 years. Although the majority of these contracts have terms of one to two years, we have assumed that our relationship with these customers will extend beyond the contractually-stated term primarily based on

historically low customer contract turnover rates within these operations. At June 30, 2002, the unamortized value of these contracts was $60.4 million.

Goodwill

At June 30, 2002, the value of goodwill was $81.5 million. Our goodwill is attributable to the excess of the purchase price over the fair value of assets acquired and is comprised of the following (values as of June 30, 2002):

- $73.7 million associated with the purchase of propylene fractionation assets from Diamond-Koch in February 2002; and,
- $7.8 million related to the July 1999 purchase of Kinder Morgan's ownership interest in MBA which in turn owned an interest in our Mont Belvieu NGL fractionation facility.

Since our adoption of SFAS No. 142 on January 1, 2002, our goodwill amounts are no longer amortized. Instead, we periodically review the reporting units to which the goodwill amounts relate for indications of possible impairment. If such indicators are present (i.e., loss of a significant customer, economic obsolescence of plant assets, etc.), the fair value of the reporting unit, including its related goodwill, will be calculated and compared to its combined book value. Our goodwill amounts are classified as part of the Fractionation segment since they are related to assets recorded in this operating segment.

The fair value of a reporting unit refers to the amount at which it could be bought or sold in a current transaction between willing parties. Quoted market prices in active markets are the best evidence of fair value and are used to the extent they are available. If quoted market prices are not available, an estimate of fair value is determined based on the best information available to us, including prices of similar assets and the results of using other valuation techniques such as discounted cash flow analysis and multiples of earnings approaches. The underlying assumptions in such models rely on information available to us at a given point in time and are viewed as reasonable and supportable considering available evidence.

If the fair value of the reporting unit exceeds its book value, goodwill is not considered impaired and no adjustment to earnings would be required. Should the fair value of the reporting unit (including its goodwill) be less than its book value, a charge to earnings would be recorded to adjust goodwill to its implied fair value.

Pro Forma impact of discontinuation of amortization of goodwill

The following table discloses the unaudited pro forma impact on earnings of discontinuing amortization of the MBA goodwill (for the three and six months ended June 30, 2001).

	Three Months Ended June 30,	Six Months Ended June 30,
	2001	2001
Reported net income	$93,031	$145,301
Discontinue goodwill amortization	111	222
Adjust minority interest expense	(1)	(2)
Adjusted net income	$93,141	$145,521

On a pro forma basis, earnings per Unit (both basic and diluted) were not affected by the discontinuation of goodwill amortization due to the immaterial nature of the pro forma adjustment.

8. DEBT OBLIGATIONS

Our debt consisted of the following at:

	June 30, 2002	December 31, 2001
Borrowings under:		
Senior Notes A, 8.25% fixed rate, due March 2005	$ 350,000	$350,000
MBFC Loan, 8.70% fixed rate, due March 2010	54,000	54,000
Senior Notes B, 7.50% fixed rate, due February 2011	450,000	450,000
Multi-Year Credit Facility, due November 2005	230,000	
364-Day Credit Facility, due November 2002 (a)	138,000	
Total principal amount	1,222,000	854,000
Unamortized balance of increase in fair value related to hedging a portion of fixed-rate debt	1,895	1,653
Less unamortized discount on:		
Senior Notes A	(99)	(117)
Senior Notes B	(244)	(258)
Less current maturities of debt	-	-
Long-term debt	$1,223,552	$855,278

(a) Under the terms of this facility, the Operating Partnership has the option to convert this facility into a term loan due November 15, 2003. Management intends to refinance this obligation with a similar obligation at or before maturity.

The above table does not reflect the $1.26 billion in debt we incurred on July 31, 2002 in connection with the Mapletree and E-Oaktree acquisitions (see Note 15 for information regarding this subsequent event).

At June 30, 2002, we had a total of $75 million of standby letters of credit capacity under our Multi-Year Credit Facility of which $9.4 million was outstanding.

Enterprise Products Partners L.P. acts as guarantor of certain of the Operating Partnership's debt obligations. This parent-subsidiary guaranty provision exists under our Senior Notes, MBFC Loan, Multi-Year and 364-Day Credit Facility.

In April 2002, we increased the amount that we can borrow under the Multi-Year Credit Facility by $20 million and the 364-Day Credit Facility by $80 million, up to an amount not exceeding $500 million in the aggregate for both facilities. At June 30, 2002, we had borrowed a total of $368 million under these two facilities.

The indentures under which the Senior Notes and the MBFC Loan were issued contain various restrictive covenants. We were in compliance with these covenants at June 30, 2002.

On April 24, 2002, certain covenants of our Multi-Year and 364-Day Credit Facilities were amended to allow for the commodity hedging losses we incurred during the first four months of 2002. As defined within the second amendment to each of these loan agreements, the changes included allowing us to exclude from the calculation of Consolidated EBITDA up to $50 million in losses resulting from hedging NGLs that utilized natural gas-based financial instruments entered into on or prior to April 24, 2002. This exclusion applies to our quarterly Consolidated EBITDA calculations in which the earnings impact of such specific instruments were recognized. This provision allows for $45.1 million to be added back to Consolidated EBITDA for the first quarter of 2002 and $4.9 million to be added back for the second quarter of 2002. Due to the rolling four-quarter nature of the Consolidated EBITDA calculation, this provision will affect our financial covenants through the first quarter of 2003. In addition, the second amendment temporarily raised the maximum ratio allowed under the Consolidated Indebtedness to Consolidated EBITDA ratio for the rolling-four quarter period ending September 30, 2002 (this provision was superseded by the third amendment to these loan agreements executed on July 31, 2002, see Note 15 for information regarding this subsequent event).

We were in compliance with the covenants of our Multi-Year and 364-Day revolving credit agreements at June 30, 2002.

9. CAPITAL STRUCTURE

Conversion of EPCO Subordinated Units to Common Units

As a result of the Company satisfying certain financial tests, 10,704,936 (or 25%) of EPCO's Subordinated Units converted to Common Units on May 1, 2002. Should the financial criteria continue to be satisfied through the first quarter of 2003, an additional 25% of the Subordinated Units would undergo an early conversion to Common Units on May 1, 2003. The remaining 50% of Subordinated Units would convert on August 1, 2003 should the balance of the conversion requirements be met. Subordinated Units have no voting rights until converted to Common Units. The conversion(s) will have no impact upon our earnings per unit since the Subordinated Units are already included in both the basic and fully diluted EPU calculations.

Conversion of Shell Special Units to Common Units

In accordance with existing agreements with Shell, 19.0 million of Shell's non-distribution bearing Special Units converted to distribution-bearing Common Units on August 1, 2002. The remaining 10.0 million Special Units will convert to Common Units on a one-for-one basis in August 2003. These conversions have a dilutive impact on basic EPU.

Treasury Units

During the first quarter of 1999, the Operating Partnership established the EPOLP 1999 Grantor Trust (the "Trust") to fund future obligations under EPCO's long-term incentive plan (through the exercise of Common Unit options granted to directors of the General Partner and EPCO employees who participate in the business of the Operating Partnership). The Common Units purchased by the Trust are accounted for in a manner similar to treasury stock under the cost method of accounting. At June 30, 2002, the Trust held 427,200 Common Units that are classified as Treasury Units. The Trust purchased 100,000 Common Units during the first six months of 2002 at a cost of $2.4 million.

Beginning in July 2000 and later modified in September 2001, the General Partner authorized the Company (specifically, "Enterprise Products Partners L.P." in this context) and the Trust to repurchase up to 2.0 million of our publicly-held Common Units (the "Buy-Back Program"). The repurchases will be made during periods of temporary market weakness at price levels that would be accretive to our remaining Unitholders. Under the terms of the original Buy-Back Program, Common Units repurchased by the Company were to be retired and Common Units repurchased by the Trust were to remain outstanding and be accounted for as Treasury Units.

In April 2002, management modified the Buy-Back Program to treat Common Units repurchased by the Company as Treasury Units. For accounting purposes, Units repurchased by the Company will be held in treasury to fund future obligations under EPCO's long-term incentive plan (i.e, used for the same intent as that contemplated for the Common Units repurchased by the Trust). The Company purchased 424,459 Common Units during the first six months of 2002 at a cost of $9.3 million. At June 30, 2002, 677,900 Common Units could be repurchased under the Buy-Back Program.

During the second quarter of 2002, 51,959 Common Units were reissued from the Company's Treasury Units at their weighted-average cost of $1.2 million to fulfill our obligations under certain employee Unit option agreements of EPCO.

Comprehensive Income

We report comprehensive income or loss in our Statements of Consolidated Partners' Equity and Comprehensive Income. For the six months ended June 30, 2001, the cumulative transition adjustment resulting from the adoption

of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended and interpreted, was the only item of other comprehensive income for us. There were no differences between net income and comprehensive income for the same period in 2002. The following table summarizes the activity in other comprehensive income for the six months ended June 30, 2001.

Comprehensive Income
for the six months ended June 30, 2001

Net Income	$145,301
Less: Accumulated Other Comprehensive Loss	(9,711)
Comprehensive Income	$135,590

10. EARNINGS PER UNIT

Basic earnings per Unit is computed by dividing net income available to limited partner interests by the weighted-average number of Common and Subordinated Units outstanding during the period. In general, diluted earnings per Unit is computed by dividing net income available to limited partner interests by the weighted-average number of Common, Subordinated and Special Units outstanding during the period. In a period of operating losses, the Special Units are excluded from the calculation of diluted earnings per Unit due to their antidilutive effect. The following table reconciles the number of Units used in the calculation of basic earnings per Unit and diluted earnings per Unit for the three and six months ended June 30, 2002 and 2001.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Income before minority interest	$22,523	$93,975	$ 5,147	$146,779
General partner interest	(2,648)	(1,388)	(3,894)	(2,370)
Income before minority interest available to Limited Partners	19,875	92,587	1,253	144,409
Minority interest	(203)	(944)	(30)	(1,478)
Net income available to Limited Partners	$19,672	$91,643	$ 1,223	$142,931
BASIC EARNINGS PER UNIT				
Numerator				
Income before minority interest Available to Limited Partners	$19,875	$92,587	$ 1,253	$144,409
Net income available To Limited Partners	$19,672	$91,643	$ 1,223	$142,931
Denominator				
Common Units outstanding	109,640	92,514	106,192	92,514
Subordinated Units outstanding	35,644	42,820	39,212	42,820
Total	145,284	135,334	145,404	135,334
Basic Earnings per Unit				
Income before minority interest Available to Limited Partners	$ 0.14	$ 0.68	$ 0.01	$ 1.07
Net income available To Limited Partners	$ 0.14	$ 0.68	$ 0.01	$ 1.06

DILUTED EARNINGS PER UNIT

Numerator				
Income before minority interest available to Limited Partners	$19,875	$92,587	$ 1,253	$144,409
Net income available to Limited Partners	$19,672	$91,643	$ 1,223	$142,931
Denominator				
Common Units outstanding	109,640	92,514	106,192	92,514
Subordinated Units outstanding	35,644	42,820	39,212	42,820
Special Units outstanding	29,000	33,000	29,000	33,000
Total	174,284	168,334	174,404	168,334
Diluted Earnings per Unit				
Income before minority interest available to Limited Partners	$ 0.11	$ 0.55	$ 0.01	$ 0.86
Net income available to Limited Partners	$ 0.11	$ 0.54	$ 0.01	$ 0.85

11. DISTRIBUTIONS

We intend, to the extent there is sufficient available cash from Operating Surplus, as defined by the Partnership Agreement, to distribute to each holder of Common Units at least a minimum quarterly distribution of $0.225 per Common Unit. The minimum quarterly distribution is not guaranteed and is subject to adjustment as set forth in the Partnership Agreement. Apart from its pro rata share of the quarterly distributions, the General Partner's interest in quarterly distributions is increased after certain specified target levels are met (the "incentive distributions").

The distribution paid on February 11, 2002 (based on fourth quarter 2001 results) was $0.3125 per Common and Subordinated Unit. The distribution paid on May 10, 2002 (based on first quarter 2002 results) was $0.335 per Common and Subordinated Unit. As a result of these distributions, the General Partner received $3.9 million in incentive distributions.

The distribution rate declared by the General Partner for the second quarter of 2002 was $0.335 per Common Unit to Unitholders of record on July 31, 2002. This distribution was paid on August 12, 2002.

12. SUPPLEMENTAL CASH FLOWS DISCLOSURE

The net effect of changes in operating assets and liabilities is as follows:

	Six Months Ended June 30,	
	2002	2001
(Increase) decrease in:		
Accounts and notes receivable	$(24,455)	$ 96,860
Inventories	(78,843)	522
Prepaid and other current assets	9,599	(10,831)
Other assets	(3,436)	(129)
Increase (decrease) in:		
Accounts payable	7,795	(55,755)
Accrued gas payable	70,447	(78,008)
Accrued expenses	(9,499)	(11,232)
Accrued interest	374	14,546
Other current liabilities	(4,219)	13,271
Other liabilities	(142)	187
Net effect of changes in operating accounts	$(32,379)	$(30,569)

During the first six months of 2002, we completed $394.8 million in business acquisitions of which the purchase price allocations of each affected various balance sheet accounts. See Note 2 for information regarding the allocation of the purchase price for these acquisitions.

The $32.5 million purchase price obligation of the Toca Western facilities will not be paid until September 2002. This amount was accrued as additional property, plant and equipment with the offsetting payable amount recorded under other current liabilities (see Note 2).

We record various financial instruments relating to commodity positions and interest rate swaps at their respective fair values using mark-to-market accounting. For the six months ended June 30, 2002, we recognized a net $19.7 million in non-cash changes related to decreases in the fair value of these financial instruments, primarily in our commodity financial instruments portfolio. For the six months ended June 30, 2001, we recognized a net $55.9 million in non-cash mark-to-market income from our financial instruments portfolio.

Cash and cash equivalents at June 30, 2002, per the Statements of Consolidated Cash Flows, excludes $5.0 million of restricted cash. This restricted cash represents amounts held by a brokerage firm as margin deposits associated with our financial instruments portfolio and for physical purchase transactions made on the NYMEX exchange.

Of the $9.3 million spent by the Company for Treasury Units during the first six months of 2002, $0.7 million will not result in cash settlements until July 2002.

13. FINANCIAL INSTRUMENTS

We are exposed to financial market risks, including changes in commodity prices in our natural gas and NGL businesses and in interest rates with respect to a portion of our debt obligations. We may use financial instruments (i.e., futures, forwards, swaps, options, and other financial instruments with similar characteristics) to mitigate the risks of certain identifiable and anticipated transactions, primarily in our Processing segment. As a matter of policy, we do not use financial instruments for speculative (or trading) purposes.

Commodity financial instruments

Our Processing and Octane Enhancement segments are directly exposed to commodity price risk through their respective business operations. The prices of natural gas, NGLs and MTBE are subject to fluctuations in response to changes in supply, market uncertainty and a variety of additional factors that are beyond our control. In order to manage the risks associated with our Processing segment, we may enter into swaps, forwards, commodity futures, options and other commodity financial instruments with similar characteristics that are permitted by contract or business custom to be settled in cash or with another financial instrument. The primary purpose of these risk management activities (or hedging strategies) is to hedge exposure to price risks associated with natural gas, NGL inventories, firm commitments and certain anticipated transactions. We do not hedge our exposure to the MTBE markets. Also, in our Pipelines segment, we may utilize a limited number of commodity financial instruments to manage the price we charge certain of our customers for natural gas.

We have adopted a financial commodity and commercial policy to manage our exposure to the risks of our natural gas and NGL businesses. The objective of these policies is to assist us in achieving our profitability goals while maintaining a portfolio with an acceptable level of risk, defined as remaining within the position limits established by the General Partner. Under these policies, we enter into risk management transactions to manage price risk, basis risk, physical risk or other risks related to our commodity positions on both a short-term (less than one month) and long-term basis, generally not to exceed 24 months. The General Partner oversees our hedging strategies associated with physical and financial risks (such as those mentioned previously), approves specific activities subject to the policies (including authorized products, instruments and markets) and establishes specific guidelines and procedures for implementing and ensuring compliance with the policies.

We routinely review our outstanding financial instruments in light of current market conditions. If market conditions warrant, some financial instruments may be closed out in advance of their contractual settlement dates thus realizing income or loss depending on the specific exposure. When this occurs, we may enter into a new commodity financial instrument to reestablish the economic hedge to which the closed instrument relates.

Our commodity financial instruments may not qualify for hedge accounting treatment under the specific guidelines of SFAS No. 133 because of ineffectiveness. A hedge is normally regarded as effective if, among other things, at inception and throughout the term of the financial instrument, we could expect changes in the fair value of the hedged item to be almost fully offset by the changes in the fair value of the financial instrument. When financial instruments do not qualify as effective hedges under the guidelines of SFAS No. 133, changes in the fair value of these positions are recorded on the balance sheet and in earnings through mark-to-market accounting. The use of mark-to-market accounting for these ineffective instruments results in a degree of non-cash earnings volatility that is dependent upon changes in the underlying commodity prices.

We recognized a loss of $50.9 million in the first six months of 2002 from our commodity hedging activities, of which $45.1 million was attributable to the first quarter of 2002. These losses are treated as an increase in operating costs and expenses in our Statements of Consolidated Operations. Of this amount, $31.9 million has been realized (e.g., paid out to counterparties). The remaining $19.0 million represents the negative change in value

of the open positions between December 31, 2001 and June 30, 2002 (based on market prices at those dates). The market value of our open positions at June 30, 2002 was $11.1 million payable (a loss).

For the first six months of 2001, we recognized income of $70.3 million from these activities of which $5.6 million was recorded in the first quarter and $64.7 million in the second quarter. Of the $70.3 million recorded for the first six months of 2001, $52.4 million was attributable to the market value of open positions at June 30, 2001.

Interest rate swaps

Our interest rate exposure results from variable-rate borrowings from commercial banks and fixed-rate borrowings pursuant to the Company's Senior Notes and MBFC Loan. We manage a portion of our exposure to changes in interest rates by utilizing interest rate swaps. The objective of holding interest rate swaps is to manage debt service costs by converting a portion of fixed-rate debt into variable-rate debt or a portion of variable-rate debt into fixed-rate debt. An interest rate swap, in general, requires one party to pay a fixed-rate on the notional amount while the other party pays a floating-rate based on the notional amount.

The General Partner oversees the strategies associated with financial risks and approves instruments that are appropriate for our requirements. At June 30, 2002, we had one interest rate swap outstanding having a notional amount of $54 million extending through March 2010. Under this agreement, we exchanged a fixed-rate of 8.70% for a market-based variable-rate. If it elects to do so, the counterparty may terminate this swap in March 2003.

We recognized income of $0.8 million during the first six months of 2002 from our interest rate swaps that is treated as a reduction of interest expense ($0.7 million recorded in the second quarter of 2002). The fair value of the interest rate swap at June 30, 2002 was a receivable of $3.1 million. We recognized income of $5.5 million during the first six months of 2001 from interest rate swaps. The benefit recorded in 2001 was primarily due to the election of a counterparty to not terminate its interest rate swap in the first quarter of 2001.

14. SEGMENT INFORMATION

Operating segments are components of a business about which separate financial information is available and that are regularly evaluated by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is required to be reported on the basis that it is used internally for evaluating segment performance and deciding how to allocate resources to segments.

We have five reportable operating segments: Pipelines, Fractionation, Processing, Octane Enhancement and Other. The reportable segments are generally organized according to the type of services rendered (or process employed) and products produced and/or sold, as applicable. The segments are regularly evaluated by the Chief Executive Officer of the General Partner. Pipelines consists of both liquids and natural gas pipeline systems, storage and import/export terminal services. Fractionation primarily includes NGL fractionation, isomerization, and polymer grade propylene fractionation services. Processing includes the natural gas processing business and its related merchant activities. Octane Enhancement represents our equity interest in BEF, a facility that produces motor gasoline additives to enhance octane (currently producing MTBE). The Other operating segment consists of fee-based marketing services and other plant support functions.

We evaluate segment performance based on gross operating margin. Gross operating margin reported for each segment represents operating income before depreciation and amortization, lease expense obligations retained by EPCO, gains and losses on the sale of assets and general and administrative expenses. In addition, segment gross operating margin is exclusive of interest expense, interest income (from unconsolidated affiliates or others), dividend income from unconsolidated affiliates, minority interest, extraordinary charges and other income and expense transactions.

Gross operating margin by segment includes intersegment and intrasegment revenues (offset by corresponding intersegment and intrasegment expenses within the segments), which are generally based on transactions made at market-related rates. Our intersegment and intrasegment activities include, but are not limited to, the following types of transactions:

- NGL fractionation revenues from separating our NGL raw-make inventories into distinct NGL products using our fractionation plants for our merchant activities group (an intersegment revenue of Fractionation offset by an intersegment expense of Processing);
- liquids pipeline revenues from transporting our merchant volumes from the gas processing plants on our pipelines to our NGL fractionation facilities (an intersegment revenue of Pipelines offset by an intersegment expense of Processing); and,
- the sale of our NGL equity production extracted by our gas processing plants to our merchant activities group (an intrasegment revenue of Processing offset by an intrasegment expense of Processing).

Our consolidated financial statements include our accounts and those of our majority-owned subsidiaries, after elimination of all material intercompany (both intersegment and intrasegment) accounts and transactions.

We include equity earnings from unconsolidated affiliates in segment gross operating margin and as a component of revenues. Our equity investments with industry partners are a vital component of our business strategy and a means by which we conduct our operations to align our interests with a supplier of raw materials to a facility or a consumer of finished products from a facility. This method of operation also enables us to achieve favorable economies of scale relative to the level of investment and business risk assumed versus what we could accomplish on a stand alone basis. Many of these businesses perform supporting or complementary roles to our other business operations. For example, we use the Promix NGL fractionator to process NGLs extracted by our gas plants. The NGLs received from Promix then can be sold by our merchant businesses. Another example would be our relationship with the BEF MTBE facility. Our isomerization facilities process normal butane for this plant and our HSC pipeline transports MTBE for delivery to BEF's storage facility on the Houston Ship Channel.

Our revenues are derived from a wide customer base. All consolidated revenues were earned in the United States. Our operations are centered along the Texas, Louisiana and Mississippi Gulf Coast areas. See Note 15 regarding an expansion of our business activities into certain regions of the central and western United States.

Consolidated property, plant and equipment and investments in and advances to unconsolidated affiliates are allocated to each segment on the basis of each asset's or investment's principal operations. The principal reconciling item between consolidated property, plant and equipment and segment property is construction-in-progress. Segment property represents those facilities and projects that contribute to gross operating margin and is net of accumulated depreciation on these assets. Since assets under construction do not generally contribute to segment gross operating margin, these assets are not included in the operating segment totals until they are deemed operational. Consolidated intangible assets and goodwill are allocated to the segments based on the classification of the assets to which they relate.

A reconciliation of segment gross operating margin to consolidated income before minority interest follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Total segment gross operating margin	$66,938	$131,255	$93,351	$204,148
Depreciation and amortization	(16,962)	(11,793)	(34,199)	(21,822)
Retained lease expense, net	(2,273)	(2,660)	(4,578)	(5,320)
(Gain) loss on sale of assets	1	6	(12)	387
Selling, general and administrative	(7,740)	(7,737)	(15,702)	(13,905)
Consolidated operating income	39,964	109,071	38,860	163,488
Interest expense	(19,032)	(16,331)	(37,545)	(23,318)
Interest income from unconsolidated affiliates	62	7	92	31
Dividend income from unconsolidated affiliates	1,242		2,196	1,632
Interest income-other	241	1,479	1,575	5,477
Other, net	46	(251)	(31)	(531)
Consolidated income before minority interest	$22,523	$ 93,975	$ 5,147	$146,779

Information by operating segment, together with reconciliations to the consolidated totals, is presented in the following table:

Operating Segments	Adjs.

	Fractionation	Pipelines	Processing	Octane Enhancement	Other	and Elims.	Consol. Totals
Revenues from external customers:							
Three months ended June 30, 2002	$169,345	$138,589	$477,941		$382		$786,257
Three months ended June 30, 2001	86,566	178,958	693,242		631		959,397
Six months ended June 30, 2002	278,767	237,670	930,975		899		1,448,311
Six months ended June 30, 2001	176,245	186,145	1,432,011		1,311		1,795,712
Intersegment and intrasegment revenues:							
Three months ended June 30, 2002	56,103	25,578	140,969		102	$(222,752)	
Three months ended June 30, 2001	44,133	24,631	131,657		96	(200,517)	
Six months ended June 30, 2002	89,500	50,088	267,229		202	(407,019)	
Six months ended June 30, 2001	85,785	45,410	241,966		191	(373,352)	
Equity income in unconsolidated affiliates:							
Three months ended June 30, 2002	1,973	2,219		$2,876			7,068
Three months ended June 30, 2001	1,692	2,125		5,233			9,050
Six months ended June 30, 2002	3,612	6,801		5,882			16,295
Six months ended June 30, 2001	2,253	3,406		5,402			11,061
Total revenues:							
Three months ended June 30, 2002	227,421	166,386	618,910	2,876	484	(222,752)	793,325
Three months ended June 30, 2001	132,391	205,714	824,899	5,233	727	(200,517)	968,447
Six months ended June 30, 2002	371,879	294,559	1,198,204	5,882	1,101	(407,019)	1,464,606
Six months ended June 30, 2001	264,283	234,961	1,673,977	5,402	1,502	(373,352)	1,806,773
Total gross operating margin by segment:							
Three months ended June 30, 2002	33,853	32,190	(1,182)	2,876	(799)		66,938
Three months ended June 30, 2001	32,803	24,696	68,112	5,233	411		131,255
Six months ended June 30, 2002	58,230	64,858	(34,558)	5,882	(1,061)		93,351
Six months ended June 30, 2001	58,471	42,819	96,510	5,402	946		204,148
Segment assets:							
At June 30, 2002	470,249	918,052	129,028		9,239	44,003	1,570,571
At December 31, 2001	357,122	717,348	124,555		8,921	98,844	1,306,790
Investments in and advances to unconsolidated affiliates:							
At June 30, 2002	98,029	213,852	33,000	58,189			403,070
At December 31, 2001	93,329	216,029	33,000	55,843			398,201
Intangible Assets:							
At June 30, 2002	52,369	8,011	188,842				249,222
At December 31, 2001	7,857		194,369				202,226
Goodwill:							
At June 30, 2002	81,543						81,543

Total revenues for the second quarter of 2002 were lower than those of the second quarter of 2001 primarily due to a decline in NGL product prices between the two periods. The same can be said for the difference between the first six months of 2002 compared to the same period in 2001. Total gross operating margin for the second quarter of 2002 decreased $64.3 million from the second quarter of 2001 primarily due to the 2001 period including $64.7 million of commodity hedging income in the Processing segment that was not repeated in the 2002 period. For the

first six months of 2002, gross operating margin decreased $110.8 million compared to the first six months of 2001. The year-to-date decline in gross operating margin is primarily due to the 2002 period including $50.9 million in commodity hedging losses versus the 2001 period including $70.3 million in commodity hedging income (together accounting for $121.2 million of the year-to-date difference in gross operating margin). The $121.2 million difference in commodity hedging results is primarily reflected in the Processing segment.

Since January 1, 2002, segment assets have increased $263.8 million. The increase is primarily due to the Diamond-Koch acquisitions completed during the first quarter of 2002 and the Toca Western acquisition in June 2002 (see Note 2). Intangible assets increased $47.0 million since January 1, 2002 primarily the result of the contract-based intangible assets we acquired from Diamond-Koch (see Note 7). Goodwill was $81.5 million at June 30, 2002 due to the goodwill we added as a result of the Diamond-Koch acquisition and the reclassification of the goodwill associated with the 1999 MBA acquisition (see Note 7).

15. SUBSEQUENT EVENTS

Purchase of Interests in Mapletree and E-Oaktree

On August 1, 2002, we announced the purchase of equity interests in affiliates of Williams, which in turn, own controlling interests in Mid-America Pipeline Company, LLC (formerly Mid-America Pipeline Company) and Seminole Pipeline Company. The purchase price of the acquisition was approximately $1.2 billion (subject to certain post-closing purchase price adjustments). The effective date of the acquisition was July 31, 2002.

The acquisitions include a 98% ownership interest in Mapletree, LLC ("Mapletree"), owner of a 100% interest in Mid-America Pipeline Company, LLC and certain propane terminals and storage facilities. The Mid-America pipeline is a major NGL pipeline system consisting of three NGL pipelines, with 7,226 miles of pipeline, and average transportation volumes of approximately 850 MBPD. Mid-America's 2,548-mile Rocky Mountain system transports mixed NGLs from the Rocky Mountain Overthrust and San Juan Basin areas to Hobbs, Texas. Its 2,740-mile Conway North segment links the large NGL hub at Conway, Kansas to the upper Midwest; its 1,938 mile Conway South system connects the Conway hub with Kansas refineries and transports mixed NGLs from Conway, Kansas to Hobbs, Texas.

We also acquired a 98% ownership interest in E-Oaktree, LLC, owner of an 80% equity interest in Seminole Pipeline Company. The Seminole pipeline consists of a 1,281-mile NGL pipeline, with an average transportation volume of approximately 260 MBPD. This pipeline transports mixed NGLs and NGL products from Hobbs, Texas and the Permian

Basin to Mont Belvieu, Texas.

The post-closing purchase price adjustments of the Mapletree and E-Oaktree acquisitions are expected to be completed during the fourth quarter of 2002. These acquisitions do not require any material governmental approvals.

These acquisitions were funded by a $1.2 billion senior unsecured 364-day term loan entered into by the Operating Partnership on July 31, 2002. The lenders under this facility are Wachovia Bank, National Association; Lehman Brothers Bank, FSB; Lehman Commercial Paper Inc. and Royal Bank of Canada. As defined within the credit agreement, the loan will generally bear interest at either (i) the greater of (a) the Prime Rate or (b) the Federal Funds Effective Rate plus one-half percent or (ii) a Eurodollar rate, with any rate in effect being increased by an appropriate applicable margin. The credit agreement contains various affirmative and negative covenants applicable to the Operating Partnership similar to those required under our Multi-Year and 364-Day Credit Facility agreements. The $1.2 billion term loan is guaranteed by Enterprise Products Partners L.P. through an unsecured guarantee. The loan will be repaid as follows:$150 million due on December 31, 2002, $450 million on March 31, 2003 and $600 million on July 30, 2003.

On August 1, 2002, Seminole Pipeline Company had $60 million in senior unsecured notes due in December 2005. The principal amount of these notes amortize by $15 million each December 1 through 2005. In accordance with GAAP, this debt will be consolidated on our balance sheet because of our 98% controlling interest in E-Oaktree, LLC, which owns 80% of Seminole Pipeline Company.

Third Amendment to our Multi-Year and 364-Day Credit Facilities

On July 31, 2002, certain covenants of our Multi-Year and 364-Day Credit Facilities were further amended to allow for increased financial flexibility in light of the Mapletree and E-Oaktree acquisitions. As defined within the third amendment to each of these loan agreements, the maximum ratio of Consolidated Indebtedness to Consolidated EBITDA allowed by our lenders was increased as follows from that noted in the second amendment issued in April 2002:

Changes made to the
Consolidated Indebtedness to Consolidated EBITDA Ratio

	Maximum Ratio Allowed	
Calculation made for the rolling four-quarter period ending	Old provisions under 2nd Amendment	New provisions under 3rd Amendment
September 30, 2002	4.50 to 1.0	6.00 to 1.0
December 31, 2002	4.00 to 1.0	5.25 to 1.0
March 31, 2003	4.00 to 1.0	5.25 to 1.0
June 30, 2003	4.00 to 1.0	4.50 to 1.0
September 30, 2003 and for each rolling-four quarter period thereafter	4.00 to 1.0	4.00 to 1.0

In addition, the negative covenant on Indebtedness (as defined within the Multi-Year and 364-Day credit agreements) was amended to permit the Seminole Pipeline Company indebtedness assumed in connection with the acquisition of E-Oaktree.

PART I. FINANCIAL INFORMATION.
Item 1B. CONSOLIDATED FINANCIAL STATEMENTS.
Enterprise Products Operating L.P.
Consolidated Balance Sheets
(Dollars in thousands)

ASSETS	June 30, 2002 (unaudited)	December 31, 2001
Current Assets		
Cash and cash equivalents (includes restricted cash of $5,034 at June 30, 2002 and $5,752 at December 31, 2001)	$7,788	$137,823
Accounts and notes receivable - trade, net of allowance for doubtful accounts of $21,098 at June 30, 2002 and $20,642 at December 31, 2001	284,021	256,927
Accounts receivable - affiliates	11,503	4,405
Inventories	153,280	69,443
Prepaid and other current assets	34,089	50,207
Total current assets	490,681	518,805
Property, Plant and Equipment, Net	1,570,571	1,306,790
Investments in and Advances to Unconsolidated Affiliates	403,070	398,201
Intangible assets, net of accumulated amortization of $18,235 at June 30, 2002 and $13,084 at December 31, 2001	249,222	202,226
Goodwill	81,543	
Other Assets	6,911	5,201
Total	$2,801,998	$2,431,223

LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities		
Accounts payable - trade	$ 70,716	$54,269
Accounts payable - affiliate	21,233	33,691
Accrued gas payables	303,983	233,536
Accrued expenses	12,961	22,233

Accrued interest	24,676	24,302
Other current liabilities	70,024	44,767
Total current liabilities	503,593	412,798
Long-Term Debt	1,223,552	855,278
Other Long-Term Liabilities	7,919	8,061
Minority Interest	2,331	1,468
Commitments and Contingencies		
Partners' Equity		
Limited Partner	1,062,422	1,148,124
General Partner	10,841	11,716
Parent's Units acquired by Trust	(8,660)	(6,222)
Total Partners' Equity	1,064,603	1,153,618
Total	$2,801,998	$2,431,223

See Notes to Unaudited Consolidated Financial Statements

Enterprise Products Operating L.P.
Statements of Consolidated Operations
(Dollars in thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
REVENUES				
Revenues from consolidated operations	$786,257	$959,397	$1,448,311	$1,795,712
Equity income in unconsolidated affiliates	7,068	9,050	16,295	11,061
Total	793,325	968,447	1,464,606	1,806,773
COST AND EXPENSES				
Operating costs and expenses	745,621	851,639	1,410,044	1,629,380
Selling, general and administrative	7,815	8,418	15,601	14,586
Total	753,436	860,057	1,425,645	1,643,966
OPERATING INCOME	39,889	108,390	38,961	162,807
OTHER INCOME (EXPENSE)				
Interest expense	(19,032)	(16,331)	(37,545)	(23,318)
Interest income from unconsolidated affiliates	62	3	92	15
Dividend income from unconsolidated affiliates	1,242		2,196	1,632
Interest income - other	384	1,626	1,820	5,771
Other, net	(65)	(251)	(142)	(531)
Other income (expense)	(17,409)	(14,953)	(33,579)	(16,431)
INCOME BEFORE MINORITY INTEREST	22,480	93,437	5,382	146,376
MINORITY INTEREST	(33)	(44)	(86)	(67)
NET INCOME	$ 22,447	$ 93,393	$ 5,296	$ 146,309

See Notes to Unaudited Consolidated Financial Statements

Enterprise Products Operating L.P.
Statements of Consolidated Cash Flows
(Dollars in thousands)
(Unaudited)

	Six Months Ended June 30,	
	2002	2001
OPERATING ACTIVITIES		
Net income	$ 5,296	$146,309
Adjustments to reconcile net income to cash flows provided by (used for) operating activities:		
Depreciation and amortization	35,349	23,234
Equity in income of unconsolidated affiliates	(16,295)	(11,061)
Distributions received from unconsolidated affiliates	29,113	13,212
Leases paid by EPCO	4,579	5,320
Minority interest	86	67
Loss (gain) on sale of assets	12	(387)
Changes in fair market value of financial instruments (see Note 11)	19,702	(55,880)
Net effect of changes in operating accounts	(45,691)	(30,611)
Operating activities cash flows	32,151	90,203
INVESTING ACTIVITIES		
Capital expenditures	(26,755)	(57,090)

Proceeds from sale of assets	12	563
Business acquisitions, net of cash acquired	(394,775)	(225,665)
Investments in and advances to unconsolidated affiliates	(10,137)	(115,282)
Investing activities cash flows	(431,655)	(397,474)
FINANCING ACTIVITIES		
Long-term debt borrowings	538,000	449,716
Long-term debt repayments	(170,000)	
Debt issuance costs	(418)	(3,125)
Cash distributions to partners	(96,490)	(77,494)
Cash distributions to minority interest		(45)
Cash contribution from General Partner	39	
Cash contributions from minority interest	777	110
Parent's Units acquired by consolidated Trust	(2,439)	
Increase in restricted cash	718	(7,321)
Financing activities cash flows	270,187	361,841
NET CHANGE IN CASH AND CASH EQUIVALENTS	(129,317)	54,570
CASH AND CASH EQUIVALENTS, DECEMBER 31	132,071	58,446
CASH AND CASH EQUIVALENTS, JUNE 30	$ 2,754	$113,016

See Notes to Unaudited Consolidated Financial Statements

Enterprise Products Operating L.P.
Notes to Unaudited Consolidated Financial Statements

1. GENERAL

In the opinion of Enterprise Products Operating L.P., the accompanying unaudited consolidated financial statements include all adjustments consisting of normal recurring accruals necessary for a fair presentation of its consolidated financial position as of June 30, 2002 and consolidated results of operations and cash flows for the three and six months ended June 30, 2002 and 2001. Within these footnote disclosures of Enterprise Products Operating L.P., references to "we", "us", "our" or "the Company" shall mean the consolidated financial statements of Enterprise Products Operating L.P. References to "Limited Partner" shall mean the consolidated financial statements of our parent, Enterprise Products Partners L.P., which are included elsewhere in this combined report on Form 10-Q.

Although we believe the disclosures in these financial statements are adequate to make the information presented not misleading, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the SEC. These unaudited financial statements should be read in conjunction with our annual report on Form 10-K (File No. 333-93239-01) for the year ended December 31, 2001.

The results of operations for the three and six months ended June 30, 2002 are not necessarily indicative of the results to be expected for the full year.

Dollar amounts presented within these footnote disclosures are stated in thousands of dollars, unless otherwise indicated.

Certain abbreviated entity names and other capitalized terms are described within the glossary of this quarterly report on Form 10-Q.

2. BUSINESS ACQUISITIONS

Acquisition of Diamond-Koch propylene fractionation business in February 2002

In February 2002, we purchased various propylene fractionation assets and certain inventories of refinery grade propylene, propane, and polymer grade propylene from Diamond-Koch. These include a 66.7% interest in a polymer grade propylene fractionation facility located in Mont Belvieu, Texas (the "Mont Belvieu III" facility), a 50% interest in an entity which owns a polymer grade propylene export terminal located on the Houston Ship Channel in La Porte, Texas, and varying interests in several supporting distribution pipelines and related equipment. Mont Belvieu III has the capacity to produce approximately 41 MBPD of polymer grade propylene. These assets are part of our Mont Belvieu propylene fractionation operations, which is part of the Fractionation segment. The purchase price of $239.0 million was funded by a drawdown on our Multi-Year and 364-Day Credit Facilities (see Note 8).

Acquisition of Diamond-Koch storage business in January 2002

In January 2002, we purchased various hydrocarbon storage assets from Diamond-Koch. The storage facilities consist of 30 salt dome storage caverns with a useable capacity of 68 million barrels, local distribution pipelines and related equipment. The facilities provide storage services for mixed natural gas liquids, ethane, propane, butanes, natural gasoline and olefins (such as ethylene), polymer grade propylene, chemical grade propylene and refinery grade propylene.

The facilities are located in Mont Belvieu, Texas and serve the largest petrochemical and refinery complex in the United States. Collectively, these facilities represent the largest underground storage operation of its kind in the world. The size and location of the business provide it with a competitive position to increase its services

to expanding Gulf Coast petrochemical complexes. These assets are part of our Mont Belvieu storage operations, which is part of the Pipelines segment. The purchase price of $129.6 million was funded by utilizing cash on hand.

Allocation of purchase price of Diamond-Koch acquisitions

The Diamond-Koch acquisitions were accounted for under the purchase method of accounting and, accordingly, the purchase price of each has been allocated to the assets acquired and liabilities assumed based on their estimated fair values as follows:

	Estimated Fair Values at		
	Feb. 1, 2002 Propylene Fractionation	Jan. 1, 2002 Storage	Total
Inventories	$ 4,994		$ 4,994
Prepaid and other current assets	3,148	$ 890	4,038
Property, plant and equipment	96,772	120,571	217,343
Investments in unconsolidated affiliates	7,550		7,550
Intangible assets (see Note 7)	53,000	8,127	61,127
Goodwill (see Note 7)	73,686		73,686
Current liabilities	(107)		(107)
Total purchase price	$239,043	$129,588	$368,631

The fair value estimates were developed by independent appraisers using recognized business valuation techniques. The allocation of the purchase price is preliminary pending the results of a repermitting process expected to be complete during the fourth quarter of 2002.

The purchase price paid for the propylene fractionation business resulted in $73.7 million in goodwill. The goodwill primarily represents the value management has attached to future earnings improvements and to the strategic location of the assets. Earnings from the propylene business are expected to improve substantially from the last few years with the years 2003 and 2004 projected to be peak years in the petrochemical business cycle. Additionally, the demand for chemical grade and polymer grade propylene is forecast to grow at an average of 4.4% per year from 2002 to 2006.

The propylene fractionation assets are located in Mont Belvieu, Texas on the Gulf Coast, the largest natural gas liquids and petrochemical marketplace in the U.S. The assets have access to substantial supply from major Gulf Coast and central U.S. producers of refinery grade propylene. The polymer grade products produced at the facility have competitive advantages because of distribution direct to customers via affiliated pipelines and through an affiliated export facility.

Acadian Gas post-closing adjustments completed in April 2002

In April 2002, we finalized the post-closing purchase price adjustment associated with our April 2001 acquisition of Acadian Gas. Acadian Gas was acquired from an affiliate of Shell and is involved in the purchase, sale, transportation and storage of natural gas in Louisiana. As a result, we paid Shell $18.0 million for various working capital items, of which the majority were related to natural gas inventories. The Acadian Gas acquisition was accounted for under the purchase method of accounting and, accordingly, the final purchase price has been allocated to the assets acquired and liabilities assumed based on their estimated fair values at April 1, 2001 as follows:

Current assets	$83,123
Investments in unconsolidated affiliates	2,723
Property, plant and equipment	232,187
Current liabilities	(72,896)
Other long-term liabilities	(1,460)
Total purchase price	$243,677

Pro forma effect of Diamond-Koch and Acadian Gas business acquisitions

As noted earlier, the Acadian Gas acquisition occurred on April 1, 2001. We acquired Diamond-Koch's storage business on January 1, 2002 and its propylene fractionation business on February 1, 2002. As a result, our actual fiscal 2002 Statements of Consolidated Operations reflect the Diamond-Koch propylene fractionation business and the Diamond-Koch storage business for their respective acquisition dates through June 2002 and the results of Acadian Gas. For the first six months of fiscal 2001, our Statements of Consolidated Operations reflect only three months of Acadian Gas.

The following table presents unaudited pro forma financial information incorporating the historical (pre-acquisition) financial results of the propylene fractionation and storage assets we acquired from Diamond-Koch and those of Acadian Gas that we acquired from Shell. This information is helpful in gauging the possible impact that these acquisitions might have had on our results of operations had they been completed on January 1, 2001 as opposed to the actual dates that these acquisitions occurred. The pro forma information is based upon data currently available to and certain estimates and assumptions made by management and, as a result, are not necessarily indicative of our financial results had the transactions actually occurred on these dates. Likewise, the unaudited pro forma information is not necessarily indicative of our future financial results.

	Three Months Ended June 30,	Six Months Ended June 30,	
	2001	2002	2001
Revenues	$1,043,671	$1,482,040	$2,195,472
Income before extraordinary item and minority interest	$ 89,886	$ 5,291	$ 146,771
Net income	$ 89,842	$ 5,204	$ 146,704

Minor acquisitions initiated during the second quarter of 2002

We initiated the purchase of an additional interest in our Mont Belvieu NGL fractionation from ChevronTexaco and the acquisition of a gas processing plant and NGL fractionator in Louisiana from Western Resources during the second quarter of 2002. Due to the immaterial nature and incomplete status of these two transactions, our discussion of each minor purchase is limited to the following:

Acquisition of ChevronTexaco's interest in our Mont Belvieu NGL fractionator. In April 2002, we executed an agreement with an affiliate of ChevronTexaco to purchase their 12.5% undivided ownership interest in our Mont Belvieu, Texas NGL fractionator. The purchase price was approximately $8.0 million. The Mont Belvieu facility has a gross NGL fractionation capacity of 210 MBPD of which 26.2 MBPD was ChevronTexaco's net share. ChevronTexaco was required to sell their 12.5% interest in a consent order by the FTC as a condition of approving the merger between Chevron and Texaco. The effective date of the purchase was June 1, 2002.

The other joint owners of the facility (affiliates of Duke Energy Field Services and Burlington Resources Inc.) have the option to acquire their pro rata share of the ChevronTexaco interest. These preferential purchase rights expire on September 30, 2002. If the other joint owners fully exercise their option to acquire their share of the interest, our ownership interest would increase to approximately 71.4% from 62.5% currently. Should the joint owners decline to exercise their options, we would own 75.0% of the facility. If the other joint owners acquire

any portion of their share of the ChevronTexaco interest, our purchase price will be reduced accordingly. We expect to complete this transaction during the third quarter of 2002.

Acquisition of gas processing and NGL fractionator assets from Western Gas Resources, Inc. In June 2002, we executed an agreement to acquire a natural gas processing plant, NGL fractionator and supporting assets (including contracts) from Western Gas Resources, Inc. for $32.5 million plus certain post-closing purchase price adjustments. The "Toca Western" facilities are located in St. Bernard Parish, Louisiana near our existing Toca natural gas processing plant. The gas processing facility has a capacity of 160 MMcf/d and the NGL fractionator can fractionate up to 14.2 MBPD of NGLs.

This purchase is subject to a preferential purchase right by the other joint owners of our Yscloskey gas processing facility that expires on September 24, 2002. We are one of the largest owners in the Yscloskey plant with a 28.2% ownership interest. Should any of the other owners exercise their respective right to acquire their pro rata interest in the Toca Western facilities, it would reduce the ownership interest we ultimately acquire and the purchase price we pay. Because of the preferential rights, we expect to close this transaction during the third quarter of 2002.

3. INVENTORIES

Our inventories are as follows at the dates indicated:

	June 30, 2002	December 31, 2001
Regular trade inventory	$ 70,340	$35,894
Forward-sales inventory	45,960	33,549
Peak Season inventory	20,959	
Other	16,021	
Inventory	$153,280	$69,443

A description of each inventory is as follows:

- Our regular trade (or "working"), inventory is comprised of inventories of natural gas, NGLs and petrochemicals that are available for immediate sale. This inventory is valued at the lower of average cost or market, with "market" being determined by spot-market related prices.
- The forward-sales inventory is comprised of segregated NGL volumes dedicated to the fulfillment of forward sales contracts and is valued at the lower of average cost or market, with "market" being defined as the weighted-average of the sales prices of the forward sales contracts.
- The peak season inventory is comprised of segregated NGL volumes that are expected to be sold outside of the current summer-winter season and is valued at the lower of average cost or market, with "market" being determined by spot-market related prices. These volumes are generally expected to be sold within the next twelve months, but may be held for longer periods depending on market conditions.
- Other inventories generally consist of segregated NGL volumes set aside for possible short-term use as fuel on an equivalent MMBtu basis. This inventory is carried at the lower of average cost or market, with "market" being determined by spot-market related prices. The volumes associated with this inventory are anticipated to be used and/or sold within the next twelve months.

Due to fluctuating market conditions in the NGL, natural gas and petrochemical industry, we occasionally recognize lower of average cost or market adjustments when the cost of our inventories exceed their net realizable value. These non-cash adjustments are charged to operating costs and expenses in the period they are recognized and affect our segment operating results in the following manner:

- NGL inventory write downs are recorded as a cost of the Processing segment's merchant activities;
- Natural gas inventory write downs are recorded as a cost of the Pipeline segment's Acadian Gas operations; and

- Petrochemical inventory write downs are recorded as a cost of the Fractionation segment's propylene fractionation business.

For the second quarter of 2002, we recognized an adjustment of $4.5 million to write down NGL inventories to their net realizable value. For the second quarter of 2001, we recorded $25.8 million of such write downs:$19.4 million against NGL inventories, $4.9 million against natural gas inventories and $1.5 million against petrochemical inventories.

For the first six months of 2002, we recognized $4.6 million in NGL inventory write downs. For the same six month period in 2001, we recorded $27.8 million in lower of average cost or market write downs. The 2001 adjustments were $21.4 million against NGL inventories, $4.9 million against natural gas inventories and $1.5 million against petrochemical inventories. To the extent our commodity hedging strategies address inventory-related risks and are successful, these inventory value adjustments are mitigated (or in some cases, reversed). See Note 11 for a description of our commodity hedging activities.

4. PROPERTY, PLANT AND EQUIPMENT

Our property, plant and equipment and accumulated depreciation are as follows:

	Estimated Useful Life in Years	June 30, 2002	December 31, 2001
Plants and pipelines	5-35	$1,626,739	$1,398,843
Underground and other storage facilities	5-35	241,806	127,900
Transportation equipment	3-35	3,952	3,736
Land		20,014	15,517
Construction in progress		44,003	98,844
Total		1,936,514	1,644,840
Less accumulated depreciation		365,943	338,050
Property, plant and equipment, net		$1,570,571	$1,306,790

Property, plant and equipment is recorded at cost and is depreciated using the straight-line method over the asset's estimated useful life. Maintenance, repairs and minor renewals are charged to operations as incurred. The cost of assets retired or sold, together with the related accumulated depreciation, is removed from the accounts, and any gain or loss on disposition is included in income.

Additions and improvements to and major renewals of existing assets are capitalized and depreciated using the straight-line method over the estimated useful life of the new equipment or modifications. These expenditures result in a long-term benefit to the Company. We generally classify improvements and major renewals of existing assets as sustaining capital expenditures and all other capital spending (on existing and new assets) as expansion capital expenditures.

Depreciation expense for the three months ended June 30, 2002 and 2001 was $13.8 million and $11.0 million, respectively. For the six months ended June 30, 2002 and 2001, it was $27.9 million and $20.3 million, respectively.

5. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED AFFILIATES

We own interests in a number of related businesses that are accounted for under the equity or cost method. The investments in and advances to these unconsolidated affiliates are grouped according the operating segment to which they relate. For a general discussion of our operating segments, see Note 12.

We acquired three equity method unconsolidated affiliates as part of our acquisition of Diamond-Koch's propylene fractionation business (see Note 2). We purchased an aggregate 50% interest in La Porte Pipeline Company, L.P. and La Porte Pipeline GP, L.L.C. (collectively, "La Porte") which together own a private polymer grade propylene pipeline extending from Mont Belvieu to La Porte, Texas. In addition, we acquired 50% of the outstanding capital stock of Olefins Terminal Corporation ("OTC") which owns a polymer grade propylene storage facility and related dock infrastructure (located on the Houston Ship Channel) for loading waterborne propylene vessels. Both the La Porte and OTC investments are considered an integral part of our Mont Belvieu III propylene fractionation operations. These investments are classified as part of our Fractionation operating segment.

The following table shows the aggregate amount of investments in and advances to (and our ownership percentages in) unconsolidated affiliates at June 30, 2002 and December 31, 2001:

	Ownership Percentage	June 30, 2002	December 31, 2001
Accounted for on equity basis:			
Fractionation:			
BRF	32.25%	$ 28,687	$ 29,417
BRPC	30.00%	18,197	18,841
Promix	33.33%	43,513	45,071
La Porte	50.00%	5,814	
OTC	50.00%	1,818	
Pipeline:			
EPIK	50.00%	14,375	14,280
Wilprise	37.35%	8,663	8,834
Tri-States	33.33%	26,448	26,734
Belle Rose	41.67%	11,211	11,624
Dixie	19.88%	37,284	37,558
Starfish	50.00%	23,777	25,352
Neptune	25.67%	77,226	76,880
Nemo	33.92%	12,211	12,189
Evangeline	49.50%	2,657	2,578
Octane Enhancement:			
BEF	33.33%	58,189	55,843
Accounted for on cost basis:			
Processing:			
VESCO	13.10%	33,000	33,000
Total		$403,070	$398,201

The following table shows equity in income (loss) of unconsolidated affiliates for the three and six months ended June 30, 2002 and 2001:

	Ownership Percentage	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
Fractionation:					
BRF	32.25%	$743	$ 42	$ 1,292	$ 60
BRPC	30.00%	278	252	527	404
Promix	33.33%	996	1,396	2,039	1,789
La Porte	50.00%	(173)		(265)	
OTC	50.00%	128		18	
Pipelines:					
EPIK	50.00%	(54)	(172)	1,629	(1,094)
Wilprise	37.35%	320	85	467	(137)
Tri-States	33.33%	365	135	834	100
Belle Rose	41.67%	40	29	114	(60)
Dixie	19.88%	(156)	69	561	960
Starfish	50.00%	973	1,022	1,785	1,973
Ocean Breeze	25.67%	-	12	-	14
Neptune	25.67%	682	1,095	1,460	1,789
Nemo	33.92%	44	1	22	10
Evangeline	49.50%	5	(149)	(71)	(149)
Octane Enhancement:					
BEF	33.33%	2,877	5,233	5,883	5,402
Total		$7,068	$9,050	$16,295	$11,061

Our initial investment in Promix, La Porte, Dixie, Neptune and Nemo exceeded our share of the historical cost of the underlying net assets of such entities ("excess cost"). The excess cost of these investments is reflected in our investments in and advances to unconsolidated affiliates for these entities. The excess cost amounts related to Promix, La Porte and Nemo are attributable to the tangible plant and pipeline assets of each entity, the excess cost of which is amortized against equity earnings from these entities in a manner similar to depreciation. The excess cost of Dixie includes amounts attributable to both goodwill and tangible pipeline assets, with that portion assigned to the pipeline assets being amortized in a manner similar to depreciation. The goodwill inherent in Dixie's excess cost is subject to periodic impairment testing and is not amortized. The following table summarizes our excess cost information:

	Initial Excess Cost	Unamortized balance at June 30, 2002	Unamortized balance at December 31, 2001	Amortization Charged to Equity Earnings during 2002	Amortization Period
Fractionation segment:					
Promix	$7,955	$6,794	$7,083	$199	20 years
La Porte	873	855	n/a	18	35 years
Pipelines segment:					
Dixie					
Attributable to pipeline assets	28,448	26,480	26,887	406	35 years
Goodwill	9,246	8,827	8,827	n/a	n/a
Neptune	12,768	12,221	12,404	182	35 years
Nemo	727	708	718	10	35 years

The following tables presents summarized income statement information for our unconsolidated investments accounted for under the equity method (for the periods indicated on a 100% basis).

	Summarized Income Statement Data for the Three Months Ended					
	June 30, 2002			June 30, 2001		
	Revenues	Operating Income	Net Income	Revenues	Operating Income	Net Income
Fractionation:						
BRF	$ 5,750	$ 2,295	$ 2,305	$ 3,802	$ 265	$ 294
BRPC	3,150	923	930	3,400	793	842
Promix	10,819	3,274	3,285	12,340	4,447	4,487
La Porte		(301)	(306)			
OTC	1,421	302	258			
Pipeline:						
EPIK	1,577	(117)	(109)	792	(375)	(348)
Wilprise	1,033	855	857	494	224	227
Tri-States	3,680	1,088	1,097	2,321	388	403
Belle Rose	433	95	96	407	13	21
Dixie	6,270	(1,853)	(1,191)	8,799	2,001	1,124
Starfish	6,714	2,169	1,943	7,051	2,571	2,299
Ocean Breeze				53	39	39
Neptune	6,926	2,046	2,338	9,362	5,223	5,195
Nemo	887	114	118		(27)	2
Evangeline	35,551	1,030	9	47,609	1,010	(144)
Octane Enhancement:						
BEF	58,132	8,570	8,628	76,054	15,509	15,700
Total	$142,343	$20,490	$20,258	$172,484	$32,081	$30,141

	Summarized Income Statement Data for the Six Months Ended					
	June 30, 2002			June 30, 2001		
	Revenues	Operating Income	Net Income	Revenues	Operating Income	Net Income
Fractionation:						
BRF	$ 10,355	$ 3,960	$ 4,007	$ 7,825	$ 300	$ 350
BRPC	6,102	1,742	1,758	6,833	1,232	1,347
Promix	20,683	6,683	6,713	21,343	5,888	5,964
La Porte	-	(535)	(541)			
OTC	1,792	109	37			
Pipeline:						
EPIK	9,849	3,237	3,257	1,967	(1,782)	(1,725)
Wilprise	1,804	1,248	1,251	893	(378)	(367)
Tri-States	6,780	2,490	2,503	3,953	262	299
Belle Rose	941	271	273	554	(205)	(192)
Dixie	21,398	5,552	3,331	24,036	8,301	4,829
Starfish	13,143	4,105	3,569	13,467	4,390	3,916
Ocean Breeze	-	-	-	87	87	65
Neptune	14,629	5,561	5,645	16,747	8,648	8,581
Nemo	1,282	40	48		(42)	36
Evangeline	61,060	1,880	(170)	47,609	1,010	(144)
Octane Enhancement:						
BEF	106,061	17,548	17,648	113,918	15,922	16,207
Total	$275,879	$53,891	$49,329	$259,232	$43,633	$39,166

6. RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2001, the FASB issued two new pronouncements: SFAS No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 prohibits the use of the pooling-of-interests method for business combinations initiated after June 30, 2001 and also applies to all business combinations accounted for by the purchase method that are completed after June 30, 2001. There are also transition provisions that apply to business combinations completed before July 1, 2001, that were accounted for by the purchase method. SFAS No. 142 was effective for our fiscal year that began January 1, 2002 for all goodwill and other intangible assets recognized in our consolidated balance sheet at that date, regardless of when those assets were initially recognized.

At December 31, 2001, our intangible assets were comprised of the values associated with the Shell natural gas processing agreement and the goodwill related to the 1999 MBA acquisition. In accordance with SFAS No. 141, we reclassified the MBA goodwill to a separate line item on our consolidated balance sheet apart from the Shell contract. Based upon SFAS No. 142, the value of the Shell natural gas processing agreement will continue to be amortized over its remaining contract term of approximately 18 years; however, amortization of the MBA goodwill will cease. The MBA goodwill will be subject to periodic impairment testing in accordance with SFAS No. 142 due to its indefinite life. For additional information regarding our intangible assets and goodwill (including additions to both classes of assets as a result of the Diamond-Koch acquisitions), see Note 7.

In accordance with the transition provisions of SFAS No. 142, we have completed an impairment review of the December 31, 2001 MBA goodwill balance. Professionals in the business valuation industry were consulted regarding the assumptions and techniques used in our analysis. As a result of this review, no impairment loss was indicated. Any subsequent impairment losses stemming from future goodwill impairment studies will be reflected as a component of operating income in the Statements of Consolidated Operations.

In addition to SFAS No. 141 and No. 142, the FASB also issued SFAS No. 143, "Accounting for Asset Retirement Obligations", in June 2001. This statement establishes accounting standards for the recognition and measurement of

a liability for an asset retirement obligation and the associated asset retirement cost. This statement is effective for our fiscal year beginning January 1, 2003. We are evaluating the provisions of this statement.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This statement addresses financial accounting and reporting for the impairment and/or disposal of long-lived assets. We adopted this statement effective January 1, 2002 and determined that it did not have any significant impact on our financial statements as of that date.

In April 2002, the FASB issued SFAS No. 145, "Rescission of SFAS Statements No. 4, 44, and 64, Amendment of SFAS No. 13, and Technical Corrections." The purpose of this statement is to update, clarify and simplify existing accounting standards. We adopted this statement effective April 30, 2002 and determined that it did not have any significant impact on our financial statements as of that date.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This standard requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to exit or disposal plan. Examples of costs covered by the standard include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing, or other exit or disposal activity. Previous accounting guidance was provided by EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). "SFAS No. 146 replaces Issue 94-3. SFAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. This statement is effective for our fiscal year beginning January 1, 2003. We are evaluating the provisions of this statement.

7. INTANGIBLE ASSETS AND GOODWILL

Intangible assets

Our recorded intangible assets are comprised of the estimated values assigned to contract rights we own arising from agreements with customers. According to SFAS No. 141, a contract-based intangible asset with a finite useful life is amortized over its estimated useful life, which is the period over which the asset is expected to contribute directly or indirectly to the future cash flows of the entity. It is based on an analysis of all pertinent factors including (a) the expected use of the asset by the entity, (b) the expected useful life of related assets (i.e., fractionation facility, storage well, etc.), (c) any legal, regulatory or contractual provisions, including renewal or extension periods that would not cause substantial costs or modifications to existing agreements, (d) the effects of obsolescence, demand, competition, and other economic factors and (e) the level of maintenance required to obtain the expected future cash flows.

The specific, identifiable intangible assets of a business enterprise depend largely upon the nature of its operations. Potential intangible assets include intellectual property such as technology, patents, trademarks and trade names, customer contracts and relationships, and non-compete agreements, as well as other intangible assets. The approach to the valuation of each intangible asset will vary depending upon the nature of the asset, the business in which it is utilized, and the economic returns it is generating or is expected to generate.

At June 30, 2002, our intangible assets consisted of the Shell natural gas processing agreement that we acquired as part of the TNGL acquisition in August 1999 and certain propylene fractionation and storage contracts we acquired in connection with the Diamond-Koch acquisitions in January and February 2002. The value of the Shell natural gas processing agreement is being amortized on a straight-line basis over its remaining contract term (currently $11.1 million annually from 2002 through 2019). At June 30, 2002, the unamortized value of the Shell contract was $188.8 million.

The value of the propylene fractionation and storage contracts acquired from Diamond-Koch is being amortized on a straight-line basis over the economic life of the assets to which they relate, which is currently estimated at 35 years. Although the majority of these contracts have terms of one to two years, we have assumed that our relationship with these customers will extend beyond the contractually-stated term primarily based on

historically low customer contract turnover rates within these operations. At June 30, 2002, the unamortized value of these contracts was $60.4 million.

Goodwill

At June 30, 2002, the value of goodwill was $81.5 million. Our goodwill is attributable to the excess of the purchase price over the fair value of assets acquired and is comprised of the following (values as of June 30, 2002):

- $73.7 million associated with the purchase of propylene fractionation assets from Diamond-Koch in February 2002; and,
- $7.8 million related to the July 1999 purchase of Kinder Morgan's ownership interest in MBA which in turn owned an interest in our Mont Belvieu NGL fractionation facility.

Since our adoption of SFAS No. 142 on January 1, 2002, our goodwill amounts are no longer amortized. Instead, we periodically review the reporting units to which the goodwill amounts relate for indications of possible impairment. If such indicators are present (i.e., loss of a significant customer, economic obsolescence of plant assets, etc.), the fair value of the reporting unit, including its related goodwill, will be calculated and compared to its combined book value. Our goodwill amounts are classified as part of the Fractionation segment since they are related to assets recorded in this operating segment.

The fair value of a reporting unit refers to the amount at which it could be bought or sold in a current transaction between willing parties. Quoted market prices in active markets are the best evidence of fair value and are used to the extent they are available. If quoted market prices are not available, an estimate of fair value is determined based on the best information available to us, including prices of similar assets and the results of using other valuation techniques such as discounted cash flow analysis and multiples of earnings approaches. The underlying assumptions in such models rely on information available to us at a given point in time and are viewed as reasonable and supportable considering available evidence.

If the fair value of the reporting unit exceeds its book value, goodwill is not considered impaired and no adjustment to earnings would be required. Should the fair value of the reporting unit (including its goodwill) be less than its book value, a charge to earnings would be recorded to adjust goodwill to its implied fair value.

Pro Forma impact of discontinuation of amortization of goodwill

The following table discloses the unaudited pro forma impact on earnings of discontinuing amortization of the MBA goodwill (for the three and six months ended June 30, 2001).

	Three Months Ended June 30, 2001	Six Months Ended June 30, 2001
Reported net income	$93,393	$146,309
Discontinue goodwill amortization	111	222
Adjusted net income	$93,504	$146,531

8. DEBT OBLIGATIONS

Our debt consisted of the following at:

	June 30, 2002	December 31, 2001

Borrowings under:		
Senior Notes A, 8.25% fixed rate, due March 2005	$350,000	$350,000
MBFC Loan, 8.70% fixed rate, due March 2010	54,000	54,000
Senior Notes B, 7.50% fixed rate, due February 2011	450,000	450,000
Multi-Year Credit Facility, due November 2005	230,000	
364-Day Credit Facility, due November 2002 (a)	138,000	
Total principal amount	1,222,000	854,000
Unamortized balance of increase in fair value related to hedging a portion of fixed-rate debt	1,895	1,653
Less unamortized discount on:		
Senior Notes A	(99)	(117)
Senior Notes B	(244)	(258)
Less current maturities of debt	-	-
Long-term debt	$1,223,552	$855,278

(a) Under the terms of this facility, the Operating Partnership has the option to convert this facility into a term loan due November 15, 2003. Management intends to refinance this obligation with a similar obligation at or before maturity.

The above table does not reflect the $1.26 billion in debt we incurred on July 31, 2002 in connection with the Mapletree and E-Oaktree acquisitions (see Note 13 for information regarding this subsequent event).

At June 30, 2002, we had a total of $75 million of standby letters of credit capacity under our Multi-Year Credit Facility of which $9.4 million was outstanding.

Enterprise Products Partners L.P. acts as guarantor of certain of our debt obligations. This parent-subsidiary guaranty provision exists under our Senior Notes, MBFC Loan, Multi-Year and 364-Day Credit Facility.

In April 2002, we increased the amount that we can borrow under the Multi-Year Credit Facility by $20 million and the 364-Day Credit Facility by $80 million, up to an amount not exceeding $500 million in the aggregate for both facilities. At June 30, 2002, we had borrowed a total of $368 million under these two facilities.

The indentures under which the Senior Notes and the MBFC Loan were issued contain various restrictive covenants. We were in compliance with these covenants at June 30, 2002.

On April 24, 2002, certain covenants of our Multi-Year and 364-Day Credit Facilities were amended to allow for the commodity hedging losses we incurred during the first four months of 2002. As defined within the second amendment to each of these loan agreements, the changes included allowing us to exclude from the calculation of Consolidated EBITDA up to $50 million in losses resulting from hedging NGLs that utilized natural gas-based financial instruments entered into on or prior to April 24, 2002. This exclusion applies to our quarterly Consolidated EBITDA calculations in which the earnings impact of such specific instruments were recognized. This provision allows for $45.1 million to be added back to Consolidated EBITDA for the first quarter of 2002 and $4.9 million to be added back for the second quarter of 2002. Due to the rolling four-quarter nature of the Consolidated EBITDA calculation, this provision will affect our financial covenants through the first quarter of 2003. In addition, the second amendment temporarily raised the maximum ratio allowed under the Consolidated Indebtedness to Consolidated EBITDA ratio for the rolling-four quarter period ending September 30, 2002 (this provision was superseded by the third amendment to these loan agreements executed on July 31, 2002, see Note 13 for information regarding this subsequent event).

We were in compliance with the covenants of our Multi-Year and 364-Day revolving credit agreements at June 30, 2002.

9. PARENT'S UNITS ACQUIRED BY TRUST

During the first quarter of 1999, we established the EPOLP 1999 Grantor Trust (the "Trust") to fund potential future obligations under EPCO's long-term incentive plan (through the exercise of Common Unit options granted to directors of the General Partner and EPCO employees who participate in our business). The Common Units of our parent purchased by the Trust are accounted for in a manner similar to treasury stock under the cost method of accounting. At June 30, 2002, the Trust held 427,200 Common Units. The Trust purchased 100,000 Common Units during the first six months of 2002 at a cost of $2.4 million.

The Trust is a party to our parent's Unit Buy-Back Program under which the Trust and our parent can repurchase up to 2.0 million Common Units. The Common Unit purchases made during the first six months of 2002 were under this program. At June 30, 2002, 677,900 Common Units could be repurchased under this program by the Trust or our parent separately or in combination. Purchases made by our parent will be funded by intercompany loans between us and our parent that will be settled on a quarterly basis.

The Unit totals noted above reflect a two-for-one split of our Parent's Units that occurred in May 2002.

10. SUPPLEMENTAL CASHFLOWS DISCLOSURE

The net effect of changes in operating assets and liabilities is as follows:

	Six Months Ended June 30,	
	2002	2001
(Increase) decrease in:		
Accounts and notes receivable	$(34,188)	$ 96,064
Inventories	(78,843)	522
Prepaid and other current assets	9,599	(10,843)
Other assets	(3,436)	(118)
Increase (decrease) in:		
Accounts payable	3,989	(55,682)
Accrued gas payable	70,447	(78,008)
Accrued expenses	(9,272)	(10,550)

Accrued interest	374	14,546
Other current liabilities	(4,219)	13,271
Other liabilities	(142)	187
Net effect of changes in operating accounts	$(45,691)	$(30,611)

During the first six months of 2002, we completed $394.8 million in business acquisitions of which the purchase price allocations of each affected various balance sheet accounts. See Note 2 for information regarding the allocation of the purchase price for these acquisitions.

The $32.5 million purchase price obligation of the Toca Western facilities will not be paid until September 2002. This amount was accrued as additional property, plant and equipment with the offsetting payable amount recorded under other current liabilities.

We record various financial instruments relating to commodity positions and interest rate swaps at their respective fair values using mark-to-market accounting. For the six months ended June 30, 2002, we recognized a net $19.7 million in non-cash changes related to decreases in the fair value of these financial instruments,

primarily in our commodity financial instruments portfolio. For the six months ended June 30, 2001, we recognized a net $55.9 million in non-cash mark-to-market income from our financial instruments portfolio.

Cash and cash equivalents at June 30, 2002, per the Statements of Consolidated Cash Flows, excludes $5.0 million of restricted cash. This restricted cash represents amounts held by a brokerage firm as margin deposits associated with our financial instruments portfolio and for physical purchase transactions made on the NYMEX exchange.

11. FINANCIAL INSTRUMENTS

We are exposed to financial market risks, including changes in commodity prices in our natural gas and NGL businesses and in interest rates with respect to a portion of our debt obligations. We may use financial instruments (i.e., futures, forwards, swaps, options, and other financial instruments with similar characteristics) to mitigate the risks of certain identifiable and anticipated transactions, primarily in our Processing segment. As a matter of policy, we do not use financial instruments for speculative (or trading) purposes.

Commodity financial instruments

Our Processing and Octane Enhancement segments are directly exposed to commodity price risk through their respective business operations. The prices of natural gas, NGLs and MTBE are subject to fluctuations in response to changes in supply, market uncertainty and a variety of additional factors that are beyond our control. In order to manage the risks associated with our Processing segment, we may enter into swaps, forwards, commodity futures, options and other commodity financial instruments with similar characteristics that are permitted by contract or business custom to be settled in cash or with another financial instrument. The primary purpose of these risk management activities (or hedging strategies) is to hedge exposure to price risks associated with natural gas, NGL inventories, firm commitments and certain anticipated transactions. We do not hedge our exposure to the MTBE markets. Also, in our Pipelines segment, we may utilize a limited number of commodity financial instruments to manage the price Acadian Gas charges certain of its customers for natural gas.

We have adopted a financial commodity and commercial policy to manage our exposure to the risks of our natural gas and NGL businesses. The objective of these policies is to assist us in achieving our profitability goals while maintaining a portfolio with an acceptable level of risk, defined as remaining within the position limits established by the General Partner. Under these policies, we enter into risk management transactions to manage price risk, basis risk, physical risk or other risks related to our commodity positions on both a short-term (less than one month) and long-term basis, generally not to exceed 24 months. The General Partner oversees our hedging strategies associated with physical and financial risks (such as those mentioned previously), approves specific activities subject to the policies (including authorized products, instruments and markets) and establishes specific guidelines and procedures for implementing and ensuring compliance with the policies.

We routinely review our outstanding financial instruments in light of current market conditions. If market conditions warrant, some financial instruments may be closed out in advance of their contractual settlement dates thus realizing income or loss depending on the specific exposure. When this occurs, we may enter into a new commodity financial instrument to reestablish the economic hedge to which the closed instrument relates.

Our commodity financial instruments may not qualify for hedge accounting treatment under the specific guidelines of SFAS No. 133 because of ineffectiveness. A hedge is normally regarded as effective if, among other things, at inception and throughout the term of the financial instrument, we could expect changes in the fair value of the hedged item to be almost fully offset by the changes in the fair value of the financial instrument. When financial instruments do not qualify as effective hedges under the guidelines of SFAS No. 133, changes in the fair value of these positions are recorded on the balance sheet and in earnings through mark-to-market accounting. The use of mark-to-market accounting for these ineffective instruments results in a degree of non-cash earnings volatility that is dependent upon changes in the underlying commodity prices.

We recognized a loss of $50.9 million in the first six months of 2002 from our commodity hedging activities, of which $45.1 million was attributable to the first quarter of 2002. These losses are treated as an increase in operating costs and expenses in our Statements of Consolidated Operations. Of this amount, $31.9 million has been

realized (e.g., paid out to counterparties). The remaining $19.0 million represents the negative change in value of the open positions between December 31, 2001 and June 30, 2002 (based on market prices at those dates). The market value of our open positions at June 30, 2002 was $11.1 million payable (a loss).

For the first six months of 2001, we recognized income of $70.3 million from these activities of which $5.6 million was recorded in the first quarter and $64.7 million in the second quarter. Of the $70.3 million recorded for the first six months of 2001, $52.4 million was attributable to the market value of open positions at June 30, 2001.

Interest rate swaps

Our interest rate exposure results from variable-rate borrowings from commercial banks and fixed-rate borrowings pursuant to the Company's Senior Notes and MBFC Loan. We manage a portion of our exposure to changes in interest rates by utilizing interest rate swaps. The objective of holding interest rate swaps is to manage debt service costs by converting a portion of fixed-rate debt into variable-rate debt or a portion of variable-rate debt into fixed-rate debt. An interest rate swap, in general, requires one party to pay a fixed-rate on the notional amount while the other party pays a floating-rate based on the notional amount.

The General Partner oversees the strategies associated with financial risks and approves instruments that are appropriate for our requirements. At June 30, 2002, we had one interest rate swap outstanding having a notional amount of $54 million extending through March 2010. Under this agreement, we exchanged a fixed-rate of 8.70% for a market-based variable-rate. If it elects to do so, the counterparty may terminate this swap in March 2003.

We recognized income of $0.8 million during the first six months of 2002 from our interest rate swaps that is treated as a reduction of interest expense ($0.7 million recorded in the second quarter of 2002). The fair value of the interest rate swap at June 30, 2002 was a receivable of $3.1 million. We recognized income of $5.5 million during the first six months of 2001 from interest rate swaps. The benefit recorded in 2001 was primarily due to the election of a counterparty to not terminate its interest rate swap in the first quarter of 2001.

12. SEGMENT INFORMATION

Operating segments are components of a business about which separate financial information is available and that are regularly evaluated by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is required to be reported on the basis that it is used internally for evaluating segment performance and deciding how to allocate resources to segments.

We have five reportable operating segments: Pipelines, Fractionation, Processing, Octane Enhancement and Other. The reportable segments are generally organized according to the type of services rendered (or process employed) and products produced and/or sold, as applicable. The segments are regularly evaluated by the Chief Executive Officer of the General Partner. Pipelines consists of both liquids and natural gas pipeline systems, storage and import/export terminal services. Fractionation primarily includes NGL fractionation, isomerization, and polymer grade propylene fractionation services. Processing includes the natural gas processing business and its related merchant activities. Octane Enhancement represents our equity interest in BEF, a facility that produces motor gasoline additives to enhance octane (currently producing MTBE). The Other operating segment consists of fee-based marketing services and other plant support functions.

We evaluate segment performance based on gross operating margin. Gross operating margin reported for each segment represents operating income before depreciation and amortization, lease expense obligations retained by EPCO, gains and losses on the sale of assets and general and administrative expenses. In addition, segment gross operating margin is exclusive of interest expense, interest income (from unconsolidated affiliates or others), dividend income from unconsolidated affiliates, minority interest, extraordinary charges and other income and expense transactions.

Gross operating margin by segment includes intersegment and intrasegment revenues (offset by corresponding intersegment and intrasegment expenses within the segments), which are generally based on transactions made at

market-related rates. Our intersegment and intrasegment activities include, but are not limited to, the following types of transactions:

- NGL fractionation revenues from separating our NGL raw-make inventories into distinct NGL products using our fractionation plants for our merchant activities group (an intersegment revenue of Fractionation offset by an intersegment expense of Processing);
- liquids pipeline revenues from transporting our merchant volumes from the gas processing plants on our pipelines to our NGL fractionation facilities (an intersegment revenue of Pipelines offset by an intersegment expense of Processing); and,
- the sale of our NGL equity production extracted by our gas processing plants to our merchant activities group (an intrasegment revenue of Processing offset by an intrasegment expense of Processing).

Our consolidated financial statements include our accounts and those of our majority-owned subsidiaries, after elimination of all material intercompany (both intersegment and intrasegment) accounts and transactions.

We include equity earnings from unconsolidated affiliates in segment gross operating margin and as a component of revenues. Our equity investments with industry partners are a vital component of our business strategy and a means by which we conduct our operations to align our interests with a supplier of raw materials to a facility or a consumer of finished products from a facility. This method of operation also enables us to achieve favorable economies of scale relative to the level of investment and business risk assumed versus what we could accomplish on a stand alone basis. Many of these businesses perform supporting or complementary roles to our other business operations. For example, we use the Promix NGL fractionator to process NGLs extracted by our gas plants. The NGLs received from Promix then can be sold by our merchant businesses. Another example would be our relationship with the BEF MTBE facility. Our isomerization facilities process normal butane for this plant and our HSC pipeline transports MTBE for delivery to BEF's storage facility on the Houston Ship Channel.

Our revenues are derived from a wide customer base. All consolidated revenues were earned in the United States. Our operations are centered along the Texas, Louisiana and Mississippi Gulf Coast areas. See Note 13 regarding an expansion of our business activities into certain regions of the central and western United States.

Consolidated property, plant and equipment and investments in and advances to unconsolidated affiliates are allocated to each segment on the basis of each asset's or investment's principal operations. The principal reconciling item between consolidated property, plant and equipment and segment property is construction-in-progress. Segment property represents those facilities and projects that contribute to gross operating margin and is net of accumulated depreciation on these assets. Since assets under construction do not generally contribute to segment gross operating margin, these assets are not included in the operating segment totals until they are deemed operational. Consolidated intangible assets and goodwill are allocated to the segments based on the classification of the assets to which they relate.

A reconciliation of segment gross operating margin to consolidated income before minority interest follows:

	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
Total segment gross operating margin	$66,938	$131,255	$93,351	$204,148
Depreciation and amortization	(16,962)	(11,793)	(34,199)	(21,822)
Retained lease expense, net	(2,273)	(2,660)	(4,578)	(5,320)
(Gain) loss on sale of assets	1	6	(12)	387
Selling, general and administrative	(7,815)	(8,418)	(15,601)	(14,586)
Consolidated operating income	39,889	108,390	38,961	162,807
Interest expense	(19,032)	(16,331)	(37,545)	(23,318)
Interest income from unconsolidated affiliate	62	3	92	15
Dividend income from unconsolidated affiliates	1,242		2,196	1,632
Interest income - other	384	1,626	1,820	5,771
Other, net	(65)	(251)	(142)	(531)
Consolidated income before minority interest	$22,480	$ 93,437	$ 5,382	$146,376

Information by operating segment, together with reconciliations to the consolidated totals, is presented in the following table:

	Operating Segments						
	Fractionation	Pipelines	Processing	Octane Enhancement	Other	Adjs. and Elims.	Consol. Totals
Revenues from External customers:							
Three months ended June 30, 2002	$169,345	$138,589	$477,941		$382		$786,257
Three months ended June 30, 2001	86,566	178,958	693,242		631		959,397
Six months ended June 30, 2002	278,767	237,670	930,975		899		1,448,311
Six months ended June 30, 2001	176,245	186,145	1,432,011		1,311		1,795,712
Intersegment and intrasegment Revenues:							
Three months ended June 30, 2002	56,103	25,578	140,969		102	$(222,752)	
Three months ended June 30, 2001	44,133	24,631	131,657		96	(200,517)	
Six months ended June 30, 2002	89,500	50,088	267,229		202	(407,019)	
Six months ended June 30, 2001	85,785	45,410	241,966		191	(373,352)	
Equity income in unconsolidated affiliates:							
Three months ended June 30, 2002	1,973	2,219		$2,876			7,068
Three months ended June 30, 2001	1,692	2,125		5,233			9,050
Six months ended June 30, 2002	3,612	6,801		5,882			16,295
Six months ended June 30, 2001	2,253	3,406		5,402			11,061
Total revenues:							
Three months ended June 30, 2002	227,421	166,386	618,910	2,876	484	(222,752)	793,325
Three months ended June 30, 2001	132,391	205,714	824,899	5,233	727	(200,517)	968,447
Six months ended June 30, 2002	371,879	294,559	1,198,204	5,882	1,101	(407,019)	1,464,606
Six months ended June 30, 2001	264,283	234,961	1,673,977	5,402	1,502	(373,352)	1,806,773
Total gross operating margin by segment:							
Three months ended June 30, 2002	33,853	32,190	(1,182)	2,876	(799)		66,938
Three months ended June 30, 2001	32,803	24,696	68,112	5,233	411		131,255
Six months ended June 30, 2002	58,230	64,858	(34,558)	5,882	(1,061)		93,351
Six months ended June 30, 2001	58,471	42,819	96,510	5,402	946		204,148
Segment assets:							
At June 30, 2002	470,249	918,052	129,028		9,239	44,003	1,570,571
At December 31, 2001	357,122	717,348	124,555		8,921	98,844	1,306,790
Investments in and advances to unconsolidated affiliates:							
At June 30, 2002	98,029	213,852	33,000	58,189			403,070
At December 31, 2001	93,329	216,029	33,000	55,843			398,201
Intangible Assets:							
At June 30, 2002	52,369	8,011	188,842				249,222
At December 31, 2001	7,857		194,369				202,226
Goodwill:							
At June 30, 2002	81,543						81,543

Total revenues for the second quarter of 2002 were lower than those of the second quarter of 2001 primarily due to a decline in NGL product prices between the two periods. The same can be said for the difference between the first six months of 2002 compared to the same period in 2001. Total gross operating margin for the second quarter of 2002 decreased $64.3 million from the second quarter of 2001 primarily due to the 2001 period including $64.7

million of commodity hedging income in the Processing segment that was not repeated in the 2002 period. For the first six months of 2002, gross operating margin decreased $110.8 million compared to the first six months of 2001. The year-to-date decline in gross operating margin is primarily due to the 2002 period including $50.9 million in commodity hedging losses versus the 2001 period including $70.3 million in commodity hedging income (together accounting for $121.2 million of the year-to-date difference in gross operating margin). The $121.2 million difference in commodity hedging results is primarily reflected in the Processing segment.

Since January 1, 2002, segment assets have increased $263.8 million. The increase is primarily due to the Diamond-Koch acquisitions completed during the first quarter of 2002 and the Toca Western acquisition in June 2002 (see Note 2). Intangible assets increased $47.0 million since January 1, 2002 primarily the result of the contract-based intangible assets we acquired from Diamond-Koch (see Note 7). Goodwill was $81.5 million at June 30, 2002 due to the goodwill we added as a result of the Diamond-Koch acquisition and the reclassification of the goodwill associated with the 1999 MBA acquisition (see Note 7).

13. SUBSEQUENT EVENTS

Purchase of Interests in Mapletree and E-Oaktree

On August 1, 2002, we announced the purchase of equity interests in affiliates of Williams, which in turn, own controlling interests in Mid-America Pipeline Company, LLC (formerly Mid-America Pipeline Company) and Seminole Pipeline Company. The purchase price of the acquisition was approximately $1.2 billion (subject to certain post-closing purchase price adjustments). The effective date of the acquisition was July 31, 2002.

The acquisitions include a 98% ownership interest in Mapletree, LLC ("Mapletree"), owner of a 100% interest in Mid-America Pipeline Company, LLC and certain propane terminals and storage facilities. The Mid-America pipeline is a major NGL pipeline system consisting of three NGL pipelines, with 7,226 miles of pipeline, and average transportation volumes of approximately 850 MBPD. Mid-America's 2,548-mile Rocky Mountain system transports mixed NGLs from the Rocky Mountain Overthrust and San Juan Basin areas to Hobbs, Texas. Its 2,740-mile Conway North segment links the large NGL hub at Conway, Kansas to the upper Midwest; its 1,938 mile Conway South system connects the Conway hub with Kansas refineries and transports mixed NGLs from Conway, Kansas to Hobbs, Texas.

We also acquired a 98% ownership interest in E-Oaktree, LLC, owner of an 80% equity interest in Seminole Pipeline Company. The Seminole pipeline consists of a 1,281-mile NGL pipeline, with an average transportation volume of approximately 260 MBPD. This pipeline transports mixed NGLs and NGL products from Hobbs, Texas and the Permian Basin to Mont Belvieu, Texas.

The post-closing purchase price adjustments of the Mapletree and E-Oaktree acquisitions are expected to be completed during the fourth quarter of 2002. These acquisitions do not require any material governmental approvals.

These acquisitions were funded by a $1.2 billion senior unsecured 364-day term loan entered into by the Operating Partnership on July 31, 2002. The lenders under this facility are Wachovia Bank, National Association; Lehman Brothers Bank, FSB; Lehman Commercial Paper Inc. and Royal Bank of Canada. As defined within the credit agreement, the loan will generally bear interest at either (i) the greater of (a) the Prime Rate or (b) the Federal Funds Effective Rate plus one-half percent or (ii) a Eurodollar rate, with any rate in effect being increased by an appropriate applicable margin. The credit agreement contains various affirmative and negative covenants applicable to the Operating Partnership similar to those required under our Multi-Year and 364-Day Credit Facility agreements. The $1.2 billion term loan is guaranteed by Enterprise Products Partners L.P. through an unsecured guarantee. The loan will be repaid as follows:$150 million due on December 31, 2002, $450 million on March 31, 2003 and $600 million on July 30, 2003.

On August 1, 2002, Seminole Pipeline Company had $60 million in senior unsecured notes due in December 2005. The principal amount of these notes amortize by $15 million each December 1 through 2005. In accordance with GAAP, this debt will be consolidated on our balance sheet because of our 98% controlling interest in E-Oaktree, LLC, which owns 80% of Seminole Pipeline Company.

Third Amendment to our Multi-Year and 364-Day Credit Facilities

On July 31, 2002, certain covenants of our Multi-Year and 364-Day Credit Facilities were further amended to allow for increased financial flexibility in light of the Mapletree and E-Oaktree acquisitions. As defined within the third amendment to each of these loan agreements, the maximum ratio of Consolidated Indebtedness to Consolidated EBITDA allowed by our lenders was increased as follows from that noted in the second amendment issued in April 2002:

Changes made to the
Consolidated Indebtedness to Consolidated EBITDA Ratio

Calculation made for the rolling four-quarter period ending	Maximum Ratio Allowed: Old provisions under 2nd Amendment	Maximum Ratio Allowed: New provisions under 3rd Amendment
September 30, 2002	4.50 to 1.0	6.00 to 1.0
December 31, 2002	4.00 to 1.0	5.25 to 1.0
March 31, 2003	4.00 to 1.0	5.25 to 1.0
June 30, 2003	4.00 to 1.0	4.50 to 1.0
September 30, 2003 and for each rolling-four quarter period thereafter	4.00 to 1.0	4.00 to 1.0

In addition, the negative covenant on Indebtedness (as defined within the Multi-Year and 364-Day credit agreements) was amended to permit the Seminole Pipeline Company indebtedness assumed in connection with the acquisition of E-Oaktree.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

For the interim periods ended June 30, 2002 and 2001.

Enterprise Products Partners L.P. is a publicly-traded master limited partnership (NYSE, symbol "EPD") that conducts substantially all of its business through its 98.9899% owned subsidiary, Enterprise Products Operating L.P. (the "Operating Partnership"), the Operating Partnership's subsidiaries, and a number of investments with industry partners. Since the Operating Partnership owns substantially all of Enterprise Products Partners L.P.'s consolidated assets and conducts substantially all of its business and operations, the information set forth herein constitutes combined information for the two registrants. Unless the context requires otherwise, references to "we", "us", "our" or the "Company" are intended to mean the consolidated business and operations of Enterprise Products Partners L.P., which includes Enterprise Products Operating L.P. and its subsidiaries.

The following discussion and analysis should be read in conjunction with the unaudited consolidated financial statements and notes thereto of the Company and Operating Partnership included in Part I of this report on Form 10-Q.

CEO and CFO certification of our SEC filings

Certification required under SEC Order No. 4-460.On June 28, 2002, the SEC requested that the CEO and CFO of 947 publicly-traded companies (with fiscal 2001 revenues in excess of $1.2 billion) file sworn written statements that their most recent reports filed with the SEC are materially truthful and complete or explain why such a statement would be incorrect. Enterprise Products Partners L.P. was included on this list. On August 9, 2002, we forwarded to the SEC sworn written statements by O.S. Andras (the CEO of our General Partner) and Michael A. Creel (the CFO of our General Partner) attesting that, to the best of their knowledge, all of our SEC filings made since January 1, 2002 (and through August 9, 2002) have been materially truthful and complete. These filings include our fiscal 2001 Form 10-K, our first quarter of 2002 Form 10-Q and our reports on Form 8-K filed during that period. In addition to the actual sworn statements forwarded to the SEC, we electronically filed these documents on Form 8-K under Item 9 on August 12, 2002. Once the actual sworn statements have been scanned and electronically processed, the SEC will post them and the date of receipt on their website for public viewing. The SEC's website is www.sec.gov. In addition, we are required to post these certifications on our website, www.eprod.com.

Certifications required under Section 906 of the Sarbanes-Oxley Act of 2002. On July 30, 2002, George W. Bush, President of the United States, signed into law the Sarbanes-Oxley Act of 2002 (the "Act"). Section 906 of the Act requires that each periodic report containing financial statements filed by a registrant with the SEC pursuant to Section 13(a) and 15(d) of the Securites Exchange Act of 1934 (the "1934 Act") on or after July 20, 2002 must be accompanied by a written statement by the issuer's CEO and CFO. That statement must certify that such report fully complies with the requirements of Sections 13(a) and 15(d) of the 1934 Act and that information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of the registrant. This certification is in addition to those documents required under SEC Order No. 4-460.

The Sarbanes-Oxley certification begins with this report on Form 10-Q for both of our registrants: Enterprise Products Partners L.P. and Enterprise Products Operating L.P. On August 13, 2002, we filed with the SEC, as correspondence accompanying this report on Form 10-Q, the required certifications by Mr. Andras and Mr. Creel.

General

Our Company was formed in April 1998 to acquire, own and operate all of the natural gas liquid ("NGL") processing and distribution assets of Enterprise Products Company ("EPCO"). We are a leading North American provider of a wide range of midstream energy services to our customers located in the central and western United States and Gulf Coast. Our services include the:

- gathering, transmission and storage of natural gas from both onshore and offshore Louisiana developments;
- purchase and sale of natural gas in south Louisiana;
- processing of natural gas into a saleable and transportable product that meets industry quality specifications by removing NGLs and impurities;
- fractionation of mixed NGLs produced as by-products of oil and natural gas production into their component purity products: ethane, propane, isobutane, normal butane and natural gasoline;
- conversion of normal butane to isobutane through the process of isomerization;
- production of MTBE from isobutane and methanol;
- transportation of NGL products to customers by pipeline and railcar;
- production of high purity propylene from refinery-sourced propane/propylene mix;
- import and export of certain NGL and petrochemical products through our dock facilities;
- transportation of high purity propylene by pipeline;
- storage of NGL and petrochemical products; and,
- sale of NGL and petrochemical products we produce and/or purchase for resale on a merchant basis.

Our General Partner, Enterprise Products GP, LLC, owns a 1.0% general partner interest in the Company and a 1.0101% general partner interest in the Operating Partnership. Our principal executive offices are located at 2727 North Loop West, Houston, Texas 77008-1038 and our telephone number is 713-880-6500.

Cautionary Statement regarding Forward-Looking Information and Risk Factors

This quarterly report on Form 10-Q contains various forward-looking statements and information that are based on our beliefs and those of the General Partner, as well as assumptions made by and information currently available to us. When used in this document, words such as "anticipate", "project", "expect", "plan", "forecast", "intend", "could", "believe", "may", and similar expressions and statements regarding the plans and objectives of the Company for future operations, are intended to identify forward-looking statements. Although we and the General Partner believe that such expectations reflected in such forward-looking statements are reasonable, neither we nor the General Partner can give any assurance that such expectations will prove to be correct. Such statements are subject to a variety of risks, uncertainties and assumptions. If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results may vary materially from those we anticipated, estimated, projected or expected.

An investment in our debt or equity securities involves a degree of risk. Among the key risk factors that may have a direct bearing on our results of operations and financial condition are:

- competitive practices in the industries in which we compete;
- fluctuations in oil, natural gas and NGL prices and production due to weather and other natural and economic forces;
- operational and systems risks;

- environmental liabilities that are not covered by indemnity or insurance;
- the impact of current and future laws and governmental regulations (including environmental regulations) affecting the midstream energy industry in general and our NGL and natural gas operations in particular;
- the loss of a significant customer;
- the use of financial instruments to hedge commodity and other risks which prove to be economically ineffective; and
- the failure to complete one or more new projects on time or within budget.

The prices of natural gas and NGLs are subject to fluctuations in response to changes in supply, market uncertainty and a variety of additional factors that are beyond our control. These factors include the level of domestic oil, natural gas and NGL production and development, the availability of imported oil and natural gas, actions taken by foreign oil and natural gas producing nations and companies, the availability of transportation systems with adequate capacity, the availability of competitive fuels and products, fluctuating and seasonal demand for oil, natural gas and NGLs, and conservation and the extent of governmental regulation of production and the overall economic environment.

In addition we must obtain access to new natural gas volumes for our processing business in order to maintain or increase gas plant throughput levels to offset natural declines in field reserves. The number of wells drilled by third parties to obtain new volumes will depend on, among other factors, the price of gas and oil, the energy policy of the federal government and the availability of foreign oil and gas, none of which is in our control.

The products that we process, sell or transport are principally used as feedstocks in petrochemical manufacturing and in the production of motor gasoline and as fuel for residential and commercial heating. A reduction in demand for our products or services by industrial customers, whether because of general economic conditions, reduced demand for the end products made with NGL products, increased competition from petroleum-based products due to pricing differences, adverse weather conditions, governmental regulations affecting prices and production levels of natural gas or the content of motor gasoline or other reasons, could have a negative impact on our results of operation. 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 volumes processed and sold by us.

Lastly, our expectations regarding future capital expenditures are only forecasts regarding these matters. These forecasts may be substantially different from actual results due to various uncertainties including the following key factors: (a) the accuracy of our estimates regarding capital spending requirements, (b) the occurrence of any unanticipated acquisition opportunities, (c) the need to replace unanticipated losses in capital assets, (d) changes in our strategic direction and (e) unanticipated legal, regulatory and contractual impediments with regards to our construction projects.

For a description of the tax and other risks of owning our Common Units or the Operating Partnership's debt securities, see our registration documents (together with any amendments thereto) filed with the SEC on Forms S-1 and S-3. Our SEC File number is 1-14323 and our Operating Partnership's SEC File number is 333-93239-01.

Recent acquisitions and other investments

Purchase of Interests in Mapletree and E-Oaktree. On August 1, 2002, we announced the purchase of equity interests in affiliates of Williams, which in turn, own controlling interests in Mid-America Pipeline Company, LLC ("Mid-America") and Seminole Pipeline Company ("Seminole"). The purchase price of the acquisition was approximately $1.2 billion (subject to certain post-closing purchase price adjustments). The effective date of the acquisition was July 31, 2002.

The acquisitions include a 98% ownership interest in Mapletree, LLC ("Mapletree"), owner of a 100% interest in Mid-America Pipeline Company, LLC and certain propane terminals and storage facilities. The Mid-America pipeline is a major NGL pipeline system consisting of three NGL pipelines, with 7,226 miles of pipeline, and average transportation volumes of approximately 850 MBPD. Mid-America's 2,548-mile Rocky Mountain system transports mixed NGLs from the Rocky Mountain Overthrust and San Juan Basin areas to Hobbs, Texas. Its 2,740-mile Conway North segment links the large NGL hub at Conway, Kansas to the upper Midwest; its 1,938 mile Conway South system connects the Conway hub with Kansas refineries and transports mixed NGLs from Conway, Kansas to Hobbs, Texas.

We also acquired a 98% ownership interest in E-Oaktree, LLC, owner of an 80% equity interest in Seminole Pipeline Company. The Seminole pipeline consists of a 1,281-mile NGL pipeline, with an average transportation volume of approximately 260 MBPD. This pipeline transports mixed NGLs and NGL products from Hobbs, Texas and the Permian Basin to Mont Belvieu, Texas.

These pipelines connect our Mont Belvieu and Gulf Coast NGL businesses with all of the major natural gas and NGL supply basins in North America, giving us the ability to provide integrated midstream energy services to the two fastest growing natural gas basins in the United States - the deepwater Gulf of Mexico and the Rocky Mountain Overthrust.

In order to fund this transaction, the Operating Partnership entered into a $1.2 billion senior unsecured 364-day credit facility. Our plans for permanent financing of this acquisition include the issuance of equity, including partnership equity for institutional investors, and debt in amounts which are consistent with our objective of maintaining our financial flexibility and investment grade balance sheet.

The post-closing purchase price adjustments of the Mapletree and E-Oaktree acquisitions are expected to be completed during the fourth quarter of 2002. These acquisitions do not require any material governmental approvals.

Acquisition of Diamond-Koch's Mont Belvieu storage and propylene fractionation assets. In January 2002, we completed the acquisition of Diamond-Koch's Mont Belvieu storage assets from affiliates of Valero Energy Corporation and Koch Industries, Inc. for $129.6 million. These facilities include 30 storage wells with a useable capacity of 68 MMBbls and allow for the storage of mixed NGLs, ethane, propane, butanes, natural gasoline and olefins (such as ethylene), polymer grade propylene, chemical grade propylene and refinery grade propylene. With the inclusion of the former D-K facilities we own and operate 95 MMBbls of storage capacity at Mont Belvieu, one of the largest such facilities in the world. In addition, we completed the purchase of Diamond-Koch's 66.7% interest in a propylene fractionation facility and related assets in February 2002 at a cost of approximately $239.0 million. Including this purchase, we effectively own 58.3 MBPD of net propylene fractionation capacity in Mont Belvieu and have access to additional customers at this key industry hub.

Acquisition of ChevronTexaco's interest in our Mont Belvieu NGL fractionator. In April 2002, we executed an agreement with an affiliate of ChevronTexaco to purchase their 12.5% undivided ownership interest in our Mont Belvieu, Texas NGL fractionator. The purchase price was approximately $8.0 million. The Mont Belvieu facility has a gross NGL fractionation capacity of 210 MBPD of which 26.2 MBPD was ChevronTexaco's net share. ChevronTexaco was required to sell their 12.5% interest in a consent order by the FTC as a condition of approving the merger between Chevron and Texaco. The effective date of the purchase was June 1, 2002.

The other joint owners of the facility (affiliates of Duke Energy Field Services and Burlington Resources Inc.) have the option to acquire their pro rata share of the ChevronTexaco interest. These preferential purchase rights expire on September 30, 2002. If the other joint owners fully exercise their option to acquire their share of the interest, our ownership interest would increase to approximately 71.4% from 62.5% currently. Should the joint owners decline to exercise their options, we would own 75.0% of the facility. If the other joint owners acquire any portion of their share of the ChevronTexaco interest, our purchase price will be reduced accordingly. We expect to complete this transaction during the third quarter of 2002.

Acquisition of gas processing and NGL fractionator assets from Western Gas Resources, Inc. In June 2002, we executed an agreement to acquire a natural gas processing plant, NGL fractionator and supporting assets (including contracts) from Western Gas Resources, Inc. for $32.5 million plus certain post-closing purchase price adjustments. The "Toca Western" facilities are located in St. Bernard Parish, Louisiana near our existing Toca natural gas processing plant. The gas processing facility has a capacity of 160 MMcf/d and the NGL fractionator can fractionate up to 14.2 MBPD of NGLs.

This purchase is subject to a preferential purchase right which expires on September 24, 2002 by the other joint owners of our Yscloskey gas processing facility. We are one of the largest owners in the Yscloskey plant with a 28.2% ownership interest. Should any of the other owners exercise their respective right to acquire their pro rata interest in the Toca Western facilities, it would reduce the ownership interest we ultimately acquire and the purchase price we pay. Because of the preferential rights, we expect to close this transaction during the third quarter of 2002.

Our accounting policies

In our financial reporting process, we employ methods, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements. These methods, estimates and assumptions also affect the reported amounts of revenues and expenses during the reporting period. Investors should be aware that actual results could differ from these estimates should the underlying assumptions prove to be incorrect. Examples of these estimates and assumptions include depreciation methods and estimated lives of property, plant and equipment, amortization methods and estimated lives of qualifying intangible assets, methods employed to measure the fair value of goodwill, revenue recognition policies and mark-to-market accounting procedures. The following describes the estimation risk in each of these significant financial statement items:

o *Property, plant and equipment.* Property, plant and equipment is recorded at cost and is depreciated using the straight-line method over the asset's estimated useful life. Our plants, pipelines and storage facilities have estimated useful lives of five to 35 years. Our miscellaneous transportation equipment have estimated useful lives of three to 35 years. Depreciation is the systematic and rational allocation of an asset's cost, less its residual value (if any), to the periods it benefits. Straight-line depreciation results in depreciation expense being incurred evenly over the life of the asset. The determination of an asset's estimated useful life must take a number of factors into consideration, including technological change, normal depreciation and actual physical usage. If any of these assumptions subsequently change, the estimated useful life of the asset could change and result in an increase or decrease in depreciation expense. Additionally, if we determine that an asset's undepreciated cost may not be recoverable due to economic obsolescence, the business climate, legal or other factors, we would review the asset for impairment and record any necessary reduction in the asset's value as a charge against earnings. At June 30, 2002 and December 31, 2001, the net book value of our property, plant and equipment was $1.6 billion and $1.3 billion, respectively.

o *Intangible assets.* The specific, identifiable intangible assets of a business enterprise depend largely upon the nature of its operations. Potential intangible assets include intellectual property such as technology, patents, trademarks and trade names, customer contracts and relationships, and non-compete agreements, as well as other intangible assets. The approach to the valuation of each intangible asset will vary depending upon the nature of the asset, the business in which it is utilized, and the economic returns it is generating or is expected to generate.

  Our recorded intangible assets primarily include the estimated value assigned to certain contract-based assets representing the rights we own arising from contractual agreements. According to SFAS No. 141, a contract-based intangible with a finite useful life is amortized over its estimated useful life, which is the period over which the asset is expected to contribute directly or indirectly to the future cash flows of the entity. It is based on an analysis of all pertinent factors including (a) the expected use of the asset by the entity, (b) the expected useful life of related assets (i.e., fractionation facility, storage well, etc.), (c) any legal, regulatory or contractual provisions, including renewal or extension periods that would not cause substantial costs or modifications to existing agreements, (d) the effects of obsolescence, demand, competition, and other economic factors and (e) the level of maintenance required to obtain the expected future cash flows.

  At June 30, 2002, our intangible assets primarily consisted of the Shell natural gas processing agreement that we acquired as a result of the TNGL acquisition in August 1999 and certain propylene fractionation and storage contracts we acquired in connection with our Diamond-Koch acquisitions in January and February 2002. The value of the Shell natural gas processing agreement is being amortized on a straight-line basis over its remaining contract term (currently $11.1 million annually from 2002 through 2019). If the economic life of this contract were later determined to be impaired due to negative changes in Shell's natural gas exploration and production activities in the Gulf of Mexico, then we might need to reduce the amortization period of this asset to less than the remaining life of the agreement. Such a change would increase the annual amortization charge at that time. At June 30, 2002, the unamortized value of the Shell contract was $188.8 million.

The value of the propylene fractionation and storage contracts acquired from Diamond-Koch is being amortized on a straight-line basis over the economic life of the assets to which they relate, which is currently estimated at 35 years. Although the majority of these contracts have terms of one to two years, we have assumed that our relationship with these customers will extend beyond the contractually-stated term primarily based on historical low customer contract turnover rates within these operations. If the economic life of the assets were later determined to be impaired due to negative changes within the industry or otherwise, then we might need to reduce the amortization period of these contract-based assets to less than 35 years. Such a change would increase amortization expense at that time. At June 30, 2002, the unamortized value of these contracts was $60.4 million.

o *Goodwill.* At June 30, 2002, the value of goodwill was $81.5 million. Our goodwill is attributable to the excess of the purchase price over the fair value of assets acquired and is comprised of the following (values as of June 30, 2002):

  o $73.7 million associated with the purchase of propylene fractionation assets from Diamond-Koch in February 2002; and,
  o $7.8 million related to the July 1999 purchase of Kinder Morgan's ownership interest in MBA which in turn owned an interest in our Mont Belvieu NGL fractionation facility.

Since our adoption of SFAS No. 142 on January 1, 2002, our goodwill amounts are no longer amortized. Instead, goodwill is tested at a reporting unit level annually, and more frequently, if certain circumstances indicate it is more likely than not that the fair value of goodwill is below its carrying amount. If such indicators are present (i.e., loss of a significant customer, economic obsolescence of plant assets, etc.), the fair value of the reporting unit, including its related goodwill, is calculated and compared to its combined book value. Currently, all of our goodwill is recorded as part of the Fractionation operating segment (based on the assets to which the goodwill relates).

The fair value of a reporting unit refers to the amount at which it could be bought or sold in a current transaction between willing parties. Quoted market prices in active markets are the best evidence of fair value and are used to the extent they are available. If quoted market prices are not available, an estimate of fair value is determined based on the best information available to us, including prices of similar assets and the results of using other valuation techniques such as discounted cash flow analysis and multiples of earnings approaches. The underlying assumptions in such models rely on information available to us at a given point in time and are viewed as reasonable and supportable considering available evidence.

If the fair value of the reporting unit exceeds its book value, goodwill is not considered impaired and no adjustment to earnings would be required. Should the fair value of the reporting unit (including its goodwill) be less than its book value, a charge to earnings would be recorded to adjust goodwill to its implied fair value.

o *Revenue recognition.* In general, we recognize revenue from our customers when all of the following criteria are met: (i) firm contracts are in place, (ii) delivery has occurred or services have been rendered, (iii) pricing is fixed and determinable and (iv) collectibility is reasonably assured. When contracts settle (i.e., either physical delivery of product has taken place or the services designated in the contract have been performed), we determine if an allowance is necessary and record it accordingly. The revenues that we record are not materially based on estimates. We believe the assumptions underlying any revenue estimates that we might use will not prove to be significantly different from actual amounts due to the routine nature of these estimates and the stability of our operations.

Of the contracts that we enter into with customers, the majority fall within five main categories as described below:

  o Tolling (or throughput) arrangements where we process or transport customer volumes for a cash fee (usually on a per gallon or other unit of measurement basis);

  o In-kind fractionation arrangements where we process customer mixed NGL volumes for a percentage of the end NGL products in lieu of a cash fee (exclusive to our Norco and Toca Western NGL fractionation facilities);
  o Merchant contracts where we sell products to customers at market-related prices for cash;
  o Storage agreements where we store volumes or reserve storage capacity for customers for a cash fee; and
  o Fee-based marketing services where we market volumes for customers for either a percentage of the final cash sales price or a cash fee per gallon handled.

A number of tolling (or throughput) arrangements are utilized in our Fractionation and Pipeline segments. Examples include NGL fractionation, isomerization and pipeline transportation agreements. Typically, we recognize revenue from tolling arrangements once contract services have been performed. At times, the tolling fees we or our affiliates charge for pipeline transportation services are regulated by such governmental agencies as the FERC. A special type of tolling arrangement, an "in-kind" contract, is utilized by various customers at our Norco and Toca Western NGL fractionation facilities. An in-kind processing contract allows us to retain a contractually-determined percentage of NGL products produced for the customer in lieu of a cash tolling fee per gallon. Revenue is recognized from these "in-kind" contracts when we sell (at market-related prices) and deliver the fractionated NGLs that we retained.

Our Processing segment businesses employ tolling and merchant contracts. If a customer pays us a cash tolling fee for our natural gas processing services, we record revenue to the extent that natural gas volumes have been processed and sent back to the producer. If we retain mixed NGLs as our fee for natural gas processing services, we record revenue when the NGLs (in mixed and/or fractionated product form) are sold and delivered to customers using merchant contracts. In addition to the Processing segment, merchant contracts are utilized in the Fractionation segment to record revenues from the sale of propylene volumes and in the Pipelines segment to record revenues from the sale of natural gas. Our merchant contracts are generally based on market-related prices as determined by the individual agreements.

We have established an allowance for doubtful accounts to cover potential bad debts from customers. Our allowance amount is generally determined as a percentage of revenues for the last twelve months. In addition, we may also increase the allowance account in response to specific identification of customers involved in bankruptcy proceedings and the like. We routinely review our estimates in this area to ascertain that we have recorded ample reserves to cover forecasted losses. If unanticipated financial difficulties were to occur with a significant customer or customers, there is the possibility that the allowance for doubtful accounts would need to be increased to bring the allowance up to an appropriate level based on the new information obtained. Our allowance for doubtful accounts was $21.1 million at

June 30, 2002 and $20.6 million at December 31, 2001.

o *Fair value accounting for financial instruments.* Our earnings are also affected by use of the mark-to-market method of accounting required under GAAP for certain financial instruments. We use financial instruments such as swaps, forwards and other contracts to manage price risks associated with inventories, firm commitments and certain anticipated transactions, primarily within our Processing segment. Currently none of these financial instruments qualify for hedge accounting treatment and thus the changes in fair value of these instruments are recorded on the balance sheet and through earnings (i.e., using the "mark-to-market" method) rather than being deferred until the firm commitment or anticipated transaction affects earnings. The use of mark-to-market accounting for financial instruments results in a degree of non-cash earnings volatility that is dependent upon changes in underlying indexes, primarily commodity prices. Fair value for the financial instruments we employ is determined using price data from highly liquid markets such as the NYMEX commodity exchange.

For the six months ending June 30, 2002, we recognized losses from our commodity hedging activities of $50.9 million. Of this loss, $19.0 million is attributable to the negative change in market value of the commodity hedging portfolio since December 31, 2001 using the mark-to-market method of accounting for our financial instruments. For additional information regarding our use of financial instruments to manage risk and the earnings sensitivity of these instruments to changes in underlying commodity prices, see the Processing segment discussion under "Our results of operations" and Item 3 of this report.

Additional information regarding our financial statements and those of the Operating Partnership can be found in the Notes to Unaudited Consolidated Financial Statements of each entity included elsewhere in this report on Form 10-Q.

Our results of operations

Revenues, costs and expenses and operating income. The following table shows our consolidated revenues, costs and expenses, and operating income for the three and six month periods ended June 30, 2002 and 2001 (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Revenues	$793,325	$968,447	$1,464,606	$1,806,773
Costs and expenses	753,361	859,376	1,425,746	1,643,285
Operating income	39,964	109,071	38,860	163,488

Revenues for the three months ended June 30, 2002 declined $175.1 million when compared to the same three-month period in 2001. Revenues for the six months ended June 30, 2002 declined $342.2 million when compared to the same six-month period in 2001. The quarterly and year-to-date decline is primarily due to lower NGL prices which affected revenues from our gas processing business and related merchant activities. This was partially offset by the addition of revenue from businesses we have acquired since June 30, 2001.

Costs and expenses for the three months ended June 30, 2002 decreased $106.0 million when compared to those recorded for the three months ended June 30, 2001. Costs and expenses for the six months ended June 30, 2002 declined $217.5 million when compared to the same period in 2001. The decrease in quarterly and year-to-date costs and expenses is primarily due to lower NGL and natural gas prices (which affected energy-related expenses at our facilities and cost of sales in our merchant activities). This was partially offset by expenses from acquired businesses and a negative change in our commodity hedging results.

Operating income declined $69.1 million quarter-to-quarter and $124.6 million year-to-year primarily the result of the items discussed in the previous two paragraphs, particularly that of the negative change in commodity hedging results. For the three months ended June 30, 2002, we recognized a loss from the commodity hedging activities of our gas processing business of $5.8 million versus income of $64.7 million in the second quarter of 2001 (a $70.5 million negative change between periods). For the six months ended June 30, 2002, we recognized a loss of $50.9 million from these hedging activities as compared to income of $70.3 million during the same period in 2001 (a $121.2 million negative change between periods).

The following table illustrates selected average quarterly prices for natural gas, crude oil, selected NGL products and polymer grade propylene since January 2001:

	Natural Gas, $/MMBtu	Crude Oil, $/barrel	Ethane, $/gallon	Propane, $/gallon	Normal Butane, $/gallon	Isobutane, $/gallon	Polymer Grade Propylene, $/pound
	(a)	(b)	(a)	(a)	(a)	(a)	(a)
Fiscal 2001:							
First quarter (c)	$7.05	$28.77	$0.49	$0.63	$0.70	$0.74	$0.23
Second quarter	$4.65	$27.86	$0.37	$0.50	$0.56	$0.66	$0.19
Third quarter	$2.90	$26.64	$0.27	$0.41	$0.49	$0.49	$0.16
Fourth quarter	$2.43	$21.04	$0.21	$0.34	$0.40	$0.39	$0.18
Fiscal 2002:							
First quarter	$2.34	$21.41	$0.22	$0.30	$0.38	$0.44	$0.16
Second quarter	$3.38	$26.26	$0.26	$0.40	$0.48	$0.51	$0.20

(a) Natural gas, NGL and polymer grade propylene prices represent an average of selected index prices
(b) Crude Oil price is representative of West Texas Intermediate
(c) Natural gas prices peaked at approximately $10 per MMBtu in January 2001

Gross operating margin. Our management evaluates segment performance based on gross operating margin (or "margin"). Gross operating margin for each segment represents operating income before depreciation and amortization, lease expense obligations retained by EPCO, gains and losses on the sale of assets and selling, general and administrative expenses. Segment gross operating margin is exclusive of interest expense, interest income amounts, dividend income, minority interest, extraordinary charges and other income and expense transactions.

We have five reportable operating segments: Pipelines, Fractionation, Processing, Octane Enhancement and Other. Pipelines consists of liquids and natural gas pipeline systems, storage and import/export terminal services. Fractionation primarily includes NGL fractionation, isomerization and propylene fractionation. Processing includes our natural gas processing business and related merchant activities. Octane Enhancement represents our interest in a facility that produces motor gasoline additives to enhance octane (currently producing MTBE). The Other operating segment primarily consists of fee-based marketing services.

We include equity earnings from unconsolidated affiliates in segment gross operating margin and as a component of revenues. Our equity investments with industry partners are a vital component of our business strategy and a means by which we conduct our operations to align our interests with a supplier of raw materials to a facility or a consumer of finished products from a facility. This method of operation also enables us to achieve favorable economies of scale relative to the level of investment and business risk assumed versus what we could accomplish on a stand alone basis. Many of these businesses perform supporting or complementary roles to our other business operations. For example, we use the Promix NGL fractionator to process NGLs extracted by our gas plants. The NGLs received from Promix then can be sold by our merchant businesses. Another example would be our relationship with the BEF MTBE facility. Our isomerization facilities process normal butane for this plant and our HSC pipeline transports MTBE for delivery to BEF's storage facility on the Houston Ship Channel.

Our gross operating margin amounts by segment (in thousands of dollars) along with a reconciliation to consolidated operating income were as follows for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Gross operating margin by segment:				
Pipelines	$32,190	$ 24,696	$64,858	$ 42,819
Fractionation	33,853	32,803	58,230	58,471
Processing	(1,182)	68,112	(34,558)	96,510
Octane enhancement	2,876	5,233	5,882	5,402
Other	(799)	411	(1,061)	946
Gross operating margin total	66,938	131,255	93,351	204,148
Depreciation and amortization	16,962	11,793	34,199	21,822
Retained lease expense, net	2,273	2,660	4,578	5,320
Loss (gain) on sale of assets	(1)	(6)	12	(387)
Selling, general and administrative expenses	7,740	7,737	15,702	13,905
Consolidated operating income	$39,964	$109,071	$38,860	$163,488

Our significant plant production and other volumetric data were as follows for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
MBPD, Net				
Major NGL and petrochemical pipelines	499	519	518	430
Equity NGL production	74	63	78	54
NGL fractionation	237	202	226	184
Isomerization	86	94	80	82
Propylene fractionation	58	29	55	30
Octane enhancement	6	5	5	4
BBtu/d, net				
Natural gas pipelines	1,300	1,295	1,262	1,263

The following discussions highlight the significant quarterly and year-to-date comparisons in gross operating margin and volumes by operating segment.

Pipelines

Our Pipelines segment consists of natural gas, NGL and petrochemical liquids transportation and distribution pipelines. Our natural gas pipeline systems provide for the gathering, transmission and storage of natural gas from both onshore and offshore Louisiana developments. Our liquids pipelines transport mixed NGLs and hydrocarbons to NGL fractionation plants and distribute NGL and petrochemical products to petrochemical plants, refineries and propane markets.

Three months ended June 30, 2002 and 2001. Our Pipelines segment posted a near record quarterly gross operating margin of $32.2 million for the second quarter of 2002 compared to $24.7 million for the second quarter of 2001. Net pipeline volumes for the second quarter of 2002 were 841 MBPD compared to 860 MBPD for the same quarter during 2001. These volumes are on an energy equivalent basis where 3.8 MMBtus of natural gas is equivalent to one barrel of NGLs. Of the $7.5 million increase in margin quarter-to-quarter, $6.3 million of the increase is attributable to storage assets we acquired from Diamond-Koch in January 2002. Other factors in the quarter-to-quarter difference are as follows:

- Margin from our Acadian Gas operations improved $3.4 million quarter-to-quarter primarily due to natural gas inventory value write downs recorded during the second quarter of 2001 that did not recur in the 2002 period.
- Our Louisiana Pipeline System posted a $2.4 million increase in margin primarily due to a rise in liquids throughput rates attributable to higher NGL extraction and downstream processing rates between the two quarters.
- Margin from our Houston Ship Channel NGL import facility and associated HSC pipeline decreased a combined $2.8 million quarter-to-quarter primarily due to a decline in mixed butane import activity.
- Margin from the Lou-Tex Propylene pipeline declined $1.5 million quarter-to-quarter primarily due to lower pipeline throughput rates during the 2002 period attributable to a decrease in petrochemical production flowing through this system.
- Our Lou-Tex NGL pipeline system posted a $0.4 million decrease in margin quarter-to-quarter primarily due to downtime and expense associated with repairs and maintenance during the second quarter of 2002.
- Margin from our Gulf of Mexico natural gas pipelines decreased $0.4 million quarter-to-quarter primarily due to mechanical problems at certain Gulf of Mexico production platforms. These platforms recommenced production in May 2002.

Six months ended June 30, 2002 and 2001. From a year-to-date perspective, our Pipelines segment recognized $64.9 million in gross operating margin for the first six months of 2002 compared to $42.8 million during the same period in 2001. Net pipeline volumes (on an energy equivalent basis) were 850 MBPD during the 2002 period versus 762 MBPD during the 2001 period. As in the quarter-to-quarter discussion above, the largest factor in the difference in margin between the two periods is the margin contribution from the storage assets we acquired from Diamond-Koch. For the first six months of 2002, these acquired assets added $8.2 million to the gross operating margin of this segment. Other significant year-to-date differences are as follows:

- The 2002 period includes six months of Acadian Gas margins whereas the 2001 period includes only three months (we acquired Acadian Gas on April 1, 2002). The additional quarter's worth of margin in the 2002 period accounts for $4.2 million of the overall increase in segment margin. This amount is in addition to the $3.4 million benefit noted above for Acadian Gas in the quarter-to-quarter analysis.
- Margin from the Louisiana Pipeline System for the 2002 period increased $5.5 million over the 2001 period primarily due to higher liquids throughput rates. Liquids transport volumes increased to 182 MBPD during the first six months of 2002 compared to 119 MBPD during the first six months of 2001. The lower throughput rates during the 2001 period were primarily due to decreased NGL extraction rates at gas processing plants during the first half of 2001 caused by high natural gas prices.
- Equity earnings from EPIK's export terminal increased $2.7 million period-to-period due to a strong export market during the first quarter of 2002. Unusually high domestic prices for propane-related products in the first half of 2001 decreased export opportunities. Product prices during the first quarter of 2002 presented EPIK with a more favorable export environment relative to the first quarter of 2001.
- Margin from our Lou-Tex NGL pipeline system increased $1.9 million period-to-period primarily due to a 13 MBPD increase in transportation volumes.
- Margin from the Lou-Tex Propylene pipeline decreased $2.6 million period-to-period primarily due to lower pipeline throughput rates and higher operating costs. The reduction in volumes is generally attributable to a decline in petrochemical production by shippers.
- Margin from our Houston Ship Channel NGL import facility decreased $1.7 million period-to-period primarily due to a decline in mixed butane imports.
- Margin from our Gulf of Mexico natural gas pipelines decreased $0.5 million period-to-period due to mechanical problems at certain Gulf of Mexico production platforms, as mentioned previously.

Fractionation

Our Fractionation segment includes eight NGL fractionators, an isomerization complex and four propylene fractionation facilities. NGL fractionators separate mixed NGL streams into discrete NGL products: ethane, propane, isobutane, normal butane and natural gasoline. Our isomerization unit converts normal butane into mixed butane, which is subsequently fractionated into normal butane, isobutane and high purity isobutane. In general,

our propylene fractionation plants separate refinery grade propylene (a mixture of propane and propylene) into either polymer grade propylene or chemical grade propylene along with by-products of propane and mixed butane.

Three months ended June 30, 2002 and 2001. On a quarterly basis, gross operating margin was $33.9 million for the three months ended June 30, 2002 compared to $32.8 million for the same period in 2001. NGL fractionation margin decreased $1.7 million for the second quarter of 2002 when compared to the second quarter of 2001. NGL fractionation net volumes improved to 237 MBPD during the 2002 period versus 202 MBPD during the 2001 period. The decrease in NGL fractionation margin is primarily due to lower tolling revenues at our Mont Belvieu NGL fractionator due to competition at this industry hub, lower in-kind fees at our Norco plant (caused by lower NGL prices in 2002 relative to 2001), partially offset by increased margins from our Tebone and Venice NGL fractionation facilities due to increased volumes.

Our isomerization business posted a $5.1 million decrease in margin for the second quarter of 2002 when compared to the second quarter of 2001. Isomerization volumes were 86 MBPD during the 2002 period versus 94 MBPD during the 2001 period. The decrease in margin is primarily due to lower isomerization revenues. Certain of our isomerization fees are indexed to historical natural gas prices which were lower during the second quarter of 2002 relative to the second quarter of 2001.

For the second quarter of 2002, gross operating margin from propylene fractionation was $7.3 million higher than the second quarter of 2001. The second quarter of 2002 includes $7.5 million in margin from the propylene fractionation business we acquired from Diamond-Koch in February 2002. Net volumes at our propylene fractionation facilities increased to 58 MBPD for the second quarter of 2002 compared to 29 MBPD for the second quarter of 2001. Of the 28 MBPD increase in 2002 volumes, 26 MBPD is attributable to operations acquired from Diamond-Koch.

Six months ended June 30, 2002 and 2001. From a year-to-date perspective, Fractionation gross operating margin was $58.2 million for the first six months of 2002 versus $58.5 million for the first six months of 2001. NGL fractionation margin decreased $2.8 million during the 2002 period when compared to the 2001 period. NGL fractionation net volumes improved to 226 MBPD during the first six months of 2002 versus 184 MBPD for the same period in 2001. NGL fractionation volumes during the first quarter of 2001 were unusually low due to reduced NGL extraction rates at gas processing plants caused by abnormally high natural gas prices (which resulted in a decrease in mixed NGL volumes available for fractionation). The decrease in NGL fractionation margin for the 2002 period is primarily due to the following:

- certain non-routine maintenance charges at our Mont Belvieu facility in the first quarter of 2002;
- a decrease in tolling revenues at our Mont Belvieu facility due to competition at this industry hub (which offset a 12 MBPD increase in fractionation volumes);

- lower in-kind fee revenue at our Norco plant (caused by lower NGL prices in 2002 relative to 2001);
- partially offset by increased margins at other facilities due to higher processing volumes.

Our isomerization business posted a $9.9 million decrease in margin for the first six months of 2002 when compared to the first six months of 2001. Isomerization volumes decreased to 80 MBPD during the 2002 period versus 82 MBPD during the 2001 period. The decrease in margin is primarily due to lower isomerization revenues. As discussed earlier, certain of our isomerization tolling fees are indexed to historical natural gas prices and were positively impacted when the price of natural gas was at historically high levels during 2001, particularly during the first quarter of 2001.

For the first six months of 2002, gross operating margin from propylene fractionation was $11.6 million higher than the same period in 2001. The first six months of 2002 includes $10.4 million in margin from the propylene fractionation business we acquired from Diamond-Koch in February 2002. The remainder of the increase in margin is primarily due to lower energy-related costs at our other Mont Belvieu propylene fractionation facilities attributable to lower natural gas prices between periods. Net volumes at our propylene fractionation facilities increased to 55 MBPD for the first six months of 2002 compared to 30 MBPD for the first six months of 2001. Of the 25 MBPD increase in 2002 volumes, 24 MBPD is attributable to operations acquired from Diamond-Koch.

Processing

This segment is comprised of our natural gas processing business and related merchant activities. At the core of our natural gas processing business are twelve gas plants located primarily in south Louisiana. Our net share of the NGL production from these gas plants (i.e., "our equity NGL production"), in addition to the NGLs we purchase on a merchant basis and a portion of the production from our isomerization facilities, support the merchant activities included in this operating segment.

Three months ended June 30, 2002 and 2001. Gross operating margin was a loss of $1.2 million for the second quarter of 2002 versus income of $68.1 million for the second quarter of 2001. Our equity NGL production for the second quarter of 2002 increased 11 MBPD over the same period in 2001 primarily due to improved gas processing economics quarter-to-quarter, which were generally the result of lower natural gas prices. The change in margin between the two quarters can generally be attributed to the following:

- We recorded a loss of $5.8 million from our commodity hedging activities during the second quarter of 2002 compared to income of $64.7 million during the second quarter of 2001. This accounted for $70.5 million of the negative change in margin. For further information regarding our commodity hedging losses, see "*Impact of commodity hedging activities on our results of operations*" in this Processing section.
- Results for the second quarter of 2001 reflected exceptionally strong demand for isobutane from refiners which did not reoccur during the second quarter of 2002. During the second quarter of 2001, gasoline refiners purchased unusually high levels of isobutane in anticipation of concerns regarding reformulated gasoline production during the summer of 2001. These supply concerns did not reappear during 2002 which affected both prices and sales volumes.
- Lastly, the decline in commodity hedging results and isobutane demand was offset by a favorable decrease in NGL inventory valuation adjustments between the two quarters.

Six months ended June 30, 2002 and 2001. Gross operating margin was a loss of $34.6 million for the first six months of 2002 compared to income of $96.5 million for the first six months of 2001. Our equity NGL production averaged 78 MBPD during the 2002 period versus 54 MBPD during the 2001 period. Equity NGL production during the 2001 period reflected reduced NGL extraction rates at our gas plants resulting from abnormally high natural gas prices (which negatively affected operating costs), particularly during the first quarter of 2001. Of the $131.1 million decrease in margin between periods, the significant differences are as follows:

- We recorded a loss of $50.9 million from our commodity hedging activities during the first six months of 2002, of which $45.1 million of the loss was recognized during the first quarter of 2002. This compares to $70.3 million of income from such activities during the first six months of 2001. This change in results accounts for $121.2 million of the decrease in margin. For further information regarding our commodity hedging losses, see "*Impact of commodity hedging activities on our results of operations*"in this section.
- Prior year margin benefited from unusually strong propane demand in the first quarter of 2001 for heating and isobutane in the second quarter of 2001 for refining. The higher prices caused by the extraordinary demand for these products during the 2001 periods did not recur during the 2002 period.
- Lastly, the decline in commodity hedging results and propane and isobutane demand was offset by a favorable decrease in NGL inventory valuation adjustments between the two quarters and improved processing margins. Processing economics improved period to period as a result of lower natural gas prices during the 2002 period relative to the 2001 period which in turn resulted in higher equity NGL production rates during 2002.

Impact of commodity hedging activities on our results of operations. In order to manage the risks associated with our Processing segment, we may enter into commodity financial instruments to hedge our exposure to price risks associated with natural gas, NGL production and inventories, firm commitments and certain anticipated transactions. We have employed various hedging strategies to mitigate the effects of fluctuating commodity prices (primarily NGL and natural gas prices) on margins from our Processing segment.

Beginning in late 2000 and extending through March 2002, a large number of our hedging transactions were based on the historical relationship between natural gas prices and NGL prices. This type of hedging strategy utilized the

forward sale of natural gas at a fixed-price with the expected margin on the settlement of the position offsetting or mitigating changes in the anticipated margins on NGL merchant activities and the value of equity NGL production. Throughout 2001, this strategy proved very successful for us (as the price of natural gas declined relative to our fixed positions) and was responsible for most of the $101.3 million in income we recorded from commodity hedging activities.

As a result of the success of this strategy, we continued using this strategy going into 2002. In late March 2002, the effectiveness of this hedging strategy deteriorated due to a rapid increase in natural gas prices whereby the loss in the value of fixed-price natural gas financial instruments was not offset by increased gas processing margins. A number of factors influenced this rapid increase in natural gas prices. These factors included industry concerns that current drilling activity was not sufficient to support the production levels needed to satisfy the increase in demand resulting from the U.S. economic recovery. In addition, the industry was concerned about the potential need for natural gas to replace nuclear power in some areas of the U.S. as nuclear power facilities were taken offline for critical maintenance work. As a result, we recognized a loss on these hedging activities of $45.1 million during the first quarter of 2002.

Due to the inherent uncertainty that was controlling the markets, management decided that it was prudent for the Company to exit this hedging strategy, and we did so by late April 2002. By the time the positions were generally closed out, the value of the portfolio had declined by an additional $5.7 million; thus, the total loss from this strategy during fiscal 2002 was $50.8 million. The $5.8 million loss we recorded during the second quarter of 2002 is primarily due to this additional decline. Of the $50.8 million in losses from this strategy recorded during 2002, $7.6 million was related to mark-to-market income from these instruments that we recognized in the fourth quarter of 2001. The remaining $43.2 million represents our cash exposure from these losses of which $31.9 million has been paid to counterparties through June 30, 2002. The balance of the cash payments will be made over the remainder of 2002.

A variety of factors influence whether or not our hedging strategies are successful. For additional information regarding our commodity financial instruments, see Item 3 of this report on Form 10-Q.

Octane Enhancement

Our Octane Enhancement segment consists of a 33.33% equity investment in BEF, which owns a facility which currently produces motor gasoline additives to enhance octane.

Three months ended June 30, 2002 and 2001. Our second quarter of 2002 equity earnings from BEF decreased $2.4 million when compared to the second quarter of 2001. The decrease is primarily due to lower MTBE prices quarter-to-quarter. MTBE prices were very strong during the second quarter of 2001 due to exceptional demand for reformulated gasoline by refiners in anticipation of supply problems in the summer of 2001.

Six months ended June 30, 2002 and 2001. Equity earnings from our BEF investment improved to $5.9 million for the first six months of 2002 from $5.4 million for the first six months of 2001. The improvement is primarily due to a 24% increase in MTBE production during the 2002 period due to less maintenance downtime offset by the impact of lower overall MTBE prices period-to-period which affected margins.

Other matters

Selling, general and administrative expenses. Selling, general and administrative expenses for the first six months of 2002 increased $1.8 million when compared to the first six months of 2001. This increase is primarily due to the additional staff and resources acquired as a result of business acquisitions.

Interest expense. Interest expense increased between the second quarters of 2002 and 2001 and the year-to-date periods primarily due to additional borrowings we made in conjunction with the Diamond-Koch acquisitions and investments in inventories. Also, the first quarter of 2001 includes a $9.3 million benefit related to our interest rate swaps which did not reoccur in 2002.

General outlook for the remainder of 2002

Processing

We anticipate that our equity NGL production rates will approximate 65 MBPD for the third quarter and rise to around 70 MBPD during the fourth quarter. The mechanical problems at certain customer Gulf of Mexico production platforms that curtailed natural gas flows during the March through May timeframe have been fixed and production from these areas is expected to be at normal levels for the remainder of the year. We also anticipate that production from Shell's Princess field will begin late in the third quarter (these volumes will be processed at our Venice gas plant). From a processing economics perspective, natural gas prices are expected to remain moderate to strong over the remainder of the year, which will negatively affect processing margins given anticipated NGL prices. We expect that as gas prices rise over the coming months, some regional gas plants will be forced into ethane rejection mode. This will negatively impact downstream volumes available for fractionation. If gas prices decline and NGL prices strengthen, processing economics would improve and may lead to full NGL extraction rates at our facilities. At full NGL extraction rates, we expect that our equity NGL production rate would approximate 90 MBPD to 95 MBPD. Our current outlook for processing economics is based on quarterly weighted-average NGL prices ranging from approximately 39 CPG to 44 CPG and quarterly natural gas prices averaging from approximately $3.30 per MMBtu to $3.60 per MMBtu.

Pipelines

The indirect acquisition of interests in the Mid-America and Seminole NGL pipeline systems on July 31, 2002 was a significant transaction for us. It was a transforming event because it extends our platform of assets beyond the Gulf Coast and gives us a strong business position in the Midwest and linkage to Canadian NGL production. These pipelines integrate our Mont Belvieu and Gulf Coast NGL business with all of the major natural gas and NGL supply basins in North America. We will now provide integrated midstream energy services to the two fastest growing natural gas basins in the United States - the deepwater Gulf of Mexico and the Rocky Mountain Overthrust.

We know these assets very well. Our parent, EPCO, was a charter partner in the formation and development of the Seminole Pipeline in 1981 and one of the Seminole lines terminates at our Mont Belvieu complex. In addition, several key members of our management team, who were formerly with MAPCO Inc., had commercial responsibilities for the Mid-America and Seminole pipeline systems for many years. We anticipate that these pipeline businesses will substantially increase our fee-based cash flows and offer excellent growth prospects for the future. We are truly excited about the acquisition of these premier midstream energy assets.

We are diligently working to integrate these assets into our system. For the third and fourth quarters of 2002, the existing business plan forecasts throughput volumes to be near capacity. We believe that these volume expectations are reasonable. Based upon historical information available to us, we believe that these investments will generate approximately $154 million of EBITDA (representing our pro-rata share of such cash flows) on an annualized twelve-month basis, which does not include the effect of any cost-saving synergies that may develop over time as we integrate these assets into our system.

As for our Gulf Coast liquids pipelines, we expect that ethane rejection at gas processing facilities in the region will negatively affect the throughput rates on certain of our pipelines during the third quarter. We expect that rates will improve during the fourth quarter as gas processing economics improve resulting in an increase in NGL volumes for transport to fractionation facilities. Also, we expect volumes on the Dixie propane pipeline system to increase in the fourth quarter as seasonal heating requirements in the southeastern U.S.

increase throughput on the system.

Our storage operations should continue to benefit as NGL production continues and slow petrochemical and other downstream demand for feedstocks keeps inventory levels higher than normal. Import volumes at our Houston Ship Channel import dock are expected to be near historical averages for the remainder of the year. EPIK's export business should see a rise in throughput rates over the same period as export opportunities increase. EPIK usually experiences an increase in exports of propane during the winter months.

We anticipate that our Gulf of Mexico and Acadian Gas natural gas pipeline businesses will be stable for the remainder of the year with normal margins. Throughput on our propylene pipelines for the remainder of the year should be consistent with that of the first half of the year.

Fractionation

We expect that NGL volumes available for fractionation will decline 10% to 15% from levels seen earlier this year as the impact of ethane rejection at regional gas plants begins to affect our facilities. Margins from our Mont Belvieu NGL fractionation complex will continue to be under pressure due to the intense competition at this industry hub caused by excess fractionation capacity in the region (given the current demand picture for NGLs from petrochemical companies). Margins from in-kind NGL fractionation fees (such as those at Norco) should be consistent with the prior year given our expectations for NGL prices.

Our isomerization units should operate at 90% to 95% of the production rates seen during the first half of the year. The operating rates of these facilities are in part linked to gasoline refinery demand which will experience a seasonal decline in the third and fourth quarters. Our propylene fractionation units should operate at rates similar to those seen in the first six months of 2002 on the assumption that demand for petrochemicals should remain constant for the remainder of the year.

Octane Enhancement

BEF should experience a seasonal decline in margins during the third and fourth quarters as the summer driving season ends and refiners reduce their demand for MTBE (which will negatively affect the price we receive for our MTBE production). If our assumptions regarding the future price of natural gas are realized, our margins may also be under pressure due to an increase in feedstock costs, particularly that of methanol.

Our liquidity and capital resources

As noted at the beginning of Item 2, since the Operating Partnership owns substantially all of Enterprise Products Partners L.P.'s consolidated assets and conducts substantially all of its business and operations, the following discussion of liquidity and capital resources constitutes combined (or consolidated) information for the two registrants. References to partnership equity securities in this discussion pertain to Units issued by Enterprise Products Partners L.P. References to public debt pertain to those obligations issued by Enterprise Products Operating L.P. and guaranteed by Enterprise Products Partners L.P.

General. Our primary cash requirements, in addition to normal operating expenses and debt service, are for capital expenditures (both sustaining and expansion-related), business acquisitions and distributions to partners. We expect to fund our short-term needs for such items as operating expenses and sustaining capital expenditures with operating cash flows. Capital expenditures for long-term needs resulting from internal growth projects and business acquisitions are expected to be funded by a variety of sources including (either separately or in combination) cash flows from operating activities, borrowings under bank credit facilities and the issuance of additional partnership equity and public debt. Our quarterly cash distributions to partners are expected to be funded primarily by current period operating cash flows or to a lesser extent, temporary borrowings under bank credit facilities or a combination thereof. Our debt service requirements are expected to be funded by operating cash flows and/or refinancing arrangements.

Operating cash flows primarily reflect the effects of net income adjusted for depreciation and amortization, equity income and cash distributions from unconsolidated affiliates, fluctuations in fair values of financial instruments and changes in operating accounts. The net effect of changes in operating accounts is generally the result of timing of sales and purchases near the end of each period. Cash flows from operations are directly linked to earnings from our business activities. Like our results of operations, these cash flows are exposed to certain risks including fluctuations in NGL and energy prices, competitive practices in the midstream energy industry and the impact of operational and systems risks. The products that we process, sell or transport are principally used as feedstocks in petrochemical manufacturing and in the production of motor gasoline and as fuel for residential and commercial heating. Reduced demand for our products or services by industrial customers, whether because of general economic conditions, reduced demand for the end products made with NGL products,

increased competition from petroleum-based products due to pricing differences or other reasons, could have a negative impact on earnings and thus the availability of cash from operating activities. For a more complete discussion of these and other risk factors pertinent to our businesses, see "*Cautionary Statement regarding Forward-Looking information and Risk Factors*".

As noted above, certain of our liquidity and capital resource requirements are met using borrowings under bank credit facilities and/or the issuance of additional partnership equity or public debt (separately or in combination). As of June 30, 2002, total borrowing capacity under our revolving bank credit facilities was $500 million of which $132 million was available. On February 23, 2001, we filed a $500 million universal shelf registration (the "February 2001 Shelf") covering the issuance of an unspecified amount of partnership equity or debt securities or a combination thereof. Our plans for permanent financing of the approximately $1.2 billion Mapletree and E-Oaktree acquisitions include the issuance of equity, including partnership equity for institutional investors, and debt in amounts which are consistent with our objective of maintaining our financial flexibility and investment grade balance sheet. For additional information regarding our debt, see the section below labeled "*Our debt obligations*".

We have the ability, under certain conditions during the Subordination Period, to issue an unlimited number of Common Units to finance acquisitions and capital improvements. The Subordination Period generally extends until the first day of any quarter beginning after June 30, 2003 when certain financial tests have been satisfied. We have the ability to issue an unlimited number of Common Units for this type of expenditure if Adjusted Operating Surplus (as defined within our partnership agreement) for the previous four fiscal quarter period prior to the expenditure, on a pro forma basis, would have increased as a result of such expenditure (i.e., would have been accretive on a pro forma basis for each of the previous four fiscal quarters).

For those acquisitions and other transactions that do not qualify under the aforementioned pro forma "accretive" test, we have 54,550,000 Units available (and unreserved) for general partnership purposes during the Subordination Period. After the Subordination Period expires, we may prudently issue an unlimited number of Units for general partnership purposes that do not meet the pro forma "accretive" test.

If deemed necessary, we believe that additional financing arrangements can be obtained at reasonable terms. Furthermore, we believe that maintenance of our investment grade credit ratings combined with a continued ready access to debt and equity capital at reasonable rates and sufficient trade credit to operate our businesses efficiently provide a solid foundation to meet our long and short-term liquidity and capital resource requirements.

Credit ratings. Our current investment grade credit ratings of Baa2 by Moody's and BBB by S and P highlight our underlying financial strength. We maintain regular communications with these rating agencies which independently judge our credit worthiness based on a variety of quantitative and qualitative factors.

On August 2, 2002, Moody's and S and P changed their ratings outlook regarding our debt securities from "stable" to "negative". The ratings agencies did not take any action to downgrade our ratings; they remain at Baa2 by Moody's and BBB by S and P. Their negative outlook on the future of our ratings reflects the execution risk they see associated with our permanent financing plan for the Mapletree and E-Oaktree acquisitions, which includes the issuance of traditional retail partnership equity, institutional partnership equity and long-term debt aggregating about $1.2 billion over the remainder of 2002 and first quarter of 2003. On a positive note, the ratings agencies noted that as a result of the acquisition, our cash flows should be more stable due to the increase in fee-based revenues. They also commented that the acquired entities should result in the diversification of our current NGL businesses and enhance our overall business profile.

The change in ratings outlook (as opposed to an actual change in ratings) does not translate into any material financial impact on our liquidity. Management is committed to achieving its goals of permanent financing for the Mapletree and E-Oaktree acquisitions and will actively pursue the appropriate mix and timing of offerings of partnership equity and issuance of public debt that will maintain our investment grade balance sheet. We strongly believe that the maintenance of an investment grade credit rating is important in managing our liquidity and capital resource requirements.

Two-for-one split of Limited Partner Units. On February 27, 2002, we announced that the Board of Directors of the General Partner had approved a two-for-one split for each class of our Units. The partnership

Unit split was accomplished by distributing one additional partnership Unit for each partnership Unit outstanding to holders of record on April 30, 2002. The Units were distributed on May 15, 2002. All references to number of Units or earnings per Unit contained in this document relate to the post-split Units, except if indicated otherwise.

Consolidated cash flows for six months ended June 30, 2002 compared to six months ended June 30, 2001

Operating cash flows. Cash flow from operating activities was an inflow of $45.2 million for the first six months of 2002 compared to $90.6 million during the same period in 2001. Excluding changes in operating accounts which are generally the result of timing of sales and purchases near the end of each period, adjusted cash flow from operating activities would be an inflow of $77.6 million in 2002 versus $121.2 million during 2001. Cash flow from operating activities before changes in operating accounts is an important measure of our liquidity. It provides an indication of our success in generating core cash flows from the assets and investments we own or have an interest in. The $43.6 million decrease in adjusted cash flows between the two year-to-date periods is primarily due to:

- net hedging losses in 2002 versus net hedging income in 2001; offset by
- increased distributions from our unconsolidated affiliates and
- an increase in operating earnings due to acquisitions.

As noted under the Processing segment discussion under "*Our results of operations*" section, we recorded $50.9 million in net commodity hedging losses during the first six months of 2002 compared to $70.4 million of income during the first six months of 2001. Of the recorded hedging loss for the 2002 period, we have realized (i.e., paid out to counterparties) $31.9 million of this loss. The difference of $19.0 million between the recorded loss and the realized loss represents the non-cash change in market value of the overall portfolio between December 31, 2001 and June 30, 2002. At June 30, 2002, the market value of the commodity financial instruments that were outstanding was a payable of $11.1 million, which we expect to pay to counterparties over the remainder of the 2002.

We discontinued the hedging strategy underlying the $50.9 million in losses in April 2002. This strategy had helped create basically all of the $70.3 million in income from commodity hedging activities we recorded during the first six months of 2001, of which $17.9 million had been received from counterparties through June 30, 2001.

Our current hedging strategies are limited in scope and duration. These strategies primarily cover the price risk associated with certain NGL inventories and fuel costs. We do not expect any material impact on our liquidity from the settlement of these commodity financial instruments, which settle primarily in the fourth quarter of 2002 and first quarter of 2003. The market value of these instruments at June 30, 2002 was a net payable of $0.3 million, (which is included in the $11.1 million payable market value of the overall portfolio mentioned previously). From a cash flow sensitivity standpoint, if the commodity prices underlying these instruments were to increase by 10% from the levels they were at on June 30, 2002, the amount we would have to pay counterparties would increase to $0.8 million from $0.3 million. Likewise, if the underlying prices decreased by 10%, we would receive cash of $0.1 million from counterparties as opposed to paying $0.3 million. These amounts do not reflect the degree to which the cash flows of the hedged transaction would be oppositely affected by the change in prices.

Investing cash flows. During the first six months of 2002, we used $431.7 million in cash to finance investing activities compared to $397.5 million spent during the first six months of 2001. The 2001 period includes $113 million paid to acquire equity interests in several Gulf of Mexico natural gas pipelines from El Paso (our Neptune, Starfish and Nemo equity investments) and $225.7 million paid to acquire Shell's Acadian Gas natural gas pipeline system. The 2002 period reflects $394.8 million in business acquisitions including $368.7 million paid to acquire Diamond-Koch's propylene fractionation and NGL and petrochemical storage businesses and $18.0 million paid to Shell representing the final purchase price adjustment relating to the Acadian Gas acquisition.

Financing cash flows. Our financing activities generated $257.3 million in cash inflows during the first six months of 2002 compared to $362.4 million during the first six months of 2001. The 2002 period includes $368 million in borrowings under our revolving credit facilities while the 2001 period reflects $449.7 million in proceeds from the issuance of the Senior Notes B. Cash distributions paid to our partners increased period-to-period primarily due to increases in both the declared quarterly distribution rate and the number of Units entitled to receive distributions.

On a forward-looking basis, the conversion of Shell's non-distribution bearing Special Units to distribution-bearing Common Units will increase distributions paid to partners beginning with the third quarter of 2002 distribution paid in November 2002. See "*Conversion of Shell Special Units to Common Units*" on page 74 for additional information regarding this issue.

Cash requirements for future growth

Acquisitions. We are committed to the long-term growth and viability of the Company. Our strategy involves expansion through business acquisitions and internal growth projects. In recent years, major oil and gas companies have sold non-strategic assets in the midstream natural gas industry in which we operate. We forecast that this trend will continue, and expect independent oil and natural gas companies to consider similar disposal options. Management continues to analyze potential acquisitions, joint venture or similar transactions with businesses that operate in complementary markets and geographic regions. We believe that the Company is positioned to continue to grow through acquisitions that will expand its platform of assets and through internal growth projects.

For fiscal 2002, we have invested or are committed to invest $1.6 billion in business acquisitions and internal growth projects including $1.2 billion for the interests in Mapletree and E-Oaktree we purchased from affiliates of Williams in July 2002;$239.0 million for the Mont Belvieu propylene fractionation assets we purchased from Diamond-Koch in February 2002; and $129.6 million for the Mont Belvieu NGL and petrochemical storage assets we purchased from Diamond-Koch in January 2002. Our goal is to invest at least $400 million annually in such opportunities to the extent that we believe such investments will be accretive to our limited partners.

The funds needed to achieve this goal can be attained through a combination of operating cash flows, public and private debt and/or partnership equity. Of the $1.6 billion in business acquisitions and internal growth projects we have completed thus far in 2002, we have borrowed approximately $1.5 billion of the funds required. This will translate into additional debt service costs during 2002.

The $1.2 billion we borrowed to effect the Mapletree and E-Oaktree acquisitions was in the form of a 364-day term loan. The loan will be repaid as follows:$150 million due on December 31, 2002, $450 million on March 31, 2003 and $600 million on July 30, 2003. As noted earlier, our plans for permanent financing of this acquisition include the issuance of equity, including partnership equity for institutional investors, and debt in amounts which are consistent with our objective of maintaining our financial flexibility and investment grade balance sheet.

Distributions. Another stated goal of management is to increase the distribution rate to our investors by at least 10% annually. For the fourth quarter of 2001, the declared annual rate was $1.25 per Common Unit (on a post-split basis). In the first quarter of 2002, the declared annual rate was raised to $1.34 per Common Unit. Our goal is to raise the declared annual rate to at least $1.375 per Common Unit by the end of fiscal 2002. Based on the number of distribution-bearing Units projected to be outstanding during 2002 (not including the effect of any potential equity offerings), we project that this goal would translate into cash distributions to partners increasing by approximately $46 million over the amounts paid during 2001. The number of distribution-Units projected to be outstanding during 2002 includes the conversion of 19.0 million non-distribution bearing Special Units owned by Shell into an equal amount of distribution-bearing Common Units.

Our distribution rate is supported by prospective and historical cumulative cash flow since our IPO in July 1998. From our IPO through August 2002, we generated $849.6 million in cash that was available for distribution to Unitholders, of which $573.3 million was paid to Unitholders (including the second quarter of 2002 distribution paid on August 12, 2002). Our policy has been to retain and reinvest the difference of $276.3 million (the "excess cash flow") into projects that we anticipate will be accretive in terms of cash flow to our Unitholders over time. This policy has helped us to maintain a strong financial presence in the markets we serve by minimizing debt and using the excess cash flow to expand the partnership through internal growth and acquisitions.

We believe that all cash distributions will be paid out of operating cash flows over the long-term; however, from time to time, we may temporarily borrow under our bank credit facilities for the purpose of paying distributions until the full cash flow impact of our operations are realized.

Capital spending. At June 30, 2002, we had $6.8 million in outstanding purchase commitments attributable to capital projects. Of this amount, $5.1 million is related to the construction of assets that will be recorded as property, plant and equipment and $1.7 million is associated with capital projects of our unconsolidated affiliates which will be recorded as additional investments.

During the first six months of 2002, our capital expenditures were $26.8 million. For the remainder of 2002, we expect our capital spending to approximate $8.1 million of which $5.7 million is forecasted for our Pipelines segment. Our unconsolidated affiliates forecast a combined $13.9 million in capital expenditures during the remainder of 2002 of which we expect our share to be approximately $4.8 million, the majority of which relate to expansion projects on our Gulf of Mexico natural gas pipeline systems. These outlays will be recorded as additional investments in unconsolidated affiliates.

Our debt obligations

Our debt consisted of the following at:

	June 30, 2002	December 31, 2001
Borrowings under:		
Senior Notes A, 8.25% fixed rate, due March 2005	$ 350,000	$350,000
MBFC Loan, 8.70% fixed rate, due March 2010	54,000	54,000
Senior Notes B, 7.50% fixed rate, due February 2011	450,000	450,000
Multi-Year Credit Facility, due November 2005	230,000	
364-Day Credit Facility, due November 2002 (a)	138,000	
Total principal amount	1,222,000	854,000

Unamortized balance of increase in fair value related to hedging a portion of fixed-rate debt	1,895	1,653
Less unamortized discount on:		
Senior Notes A	(99)	(117)
Senior Notes B	(244)	(258)
Less current maturities of debt	-	-
Long-term debt	$1,223,552	$855,278

(a) Under the terms of this facility, the Operating Partnership has the option to convert this facility into a term loan due November 15, 2003. Management intends to refinance this obligation with a similar obligation at or before maturity.

Debt associated with Mapletree and E-Oaktree acquisitions. The above table does not reflect the $1.2 billion senior unsecured 364-day term loan entered into by the Operating Partnership to fund the acquisition of indirect interests in the Mid-America and Seminole pipelines from affiliates of Williams on July 31, 2002. The lenders under this facility are Wachovia Bank, National Association; Lehman Brothers Bank, FSB; Lehman Commercial Paper Inc. and Royal Bank of Canada. As defined within the credit agreement, the loan will generally bear interest at either (i) the greater of (a) the Prime Rate or (b) the Federal Funds Effective Rate plus one-half percent or (ii) a Eurodollar rate, with any rate in effect being increased by an appropriate applicable margin. The credit agreement contains various affirmative and negative covenants applicable to the Operating Partnership similar to those required under our Multi-Year and 364-Day Credit Facility agreements (as defined within the second and third amendments to these revolving credit facilities, see "*Covenants*" below). The $1.2 billion term loan is guaranteed by Enterprise Products Partners L.P. through an unsecured guarantee. The loan will be repaid as follows:$150 million due on December 31, 2002, $450 million on March 31, 2003 and $600 million on July 30, 2003.

On August 1, 2002, Seminole Pipeline Company had $60 million in senior unsecured notes due in December 2005. The principal amount of these notes amortize by $15 million each December 1 through 2005. In accordance with GAAP, this debt will be consolidated on our balance sheet because of our 98% controlling interest in E-Oaktree, LLC, which owns 80% of Seminole Pipeline Company.

Letters of credit. At June 30, 2002, we had a total of $75 million of standby letters of credit capacity under our Multi-Year Credit Facility of which $9.4 million was outstanding.

Parent-subsidiary guarantees. Enterprise Products Partners L.P. also acts as guarantor of the Operating Partnership's other debt obligations. This parent-subsidiary guaranty provision exists under our Senior Notes, MBFC Loan, Multi-Year and 364-Day Credit Facility. The consolidated financial statements of both the Company and Operating Partnership are included as part of this report on Form 10-Q.

Increased borrowing limits under revolving credit facilities. In April 2002, we increased the amount that we can borrow under the Multi-Year Credit Facility by $20 million and the 364-Day Credit Facility by $80 million, up to an amount not exceeding $500 million in the aggregate for both facilities. At June 30, 2002, we had borrowed a total of $368 million under these two facilities.

Covenants. The indentures under which the Senior Notes and the MBFC Loan were issued contain various restrictive covenants. We were in compliance with these covenants at June 30, 2002.

On April 24, 2002, certain covenants of our Multi-Year and 364-Day Credit Facilities were amended to allow for the commodity hedging losses we incurred during the first four months of 2002. As defined within the second amendment to each of these loan agreements, the changes included allowing us to exclude from the calculation of Consolidated EBITDA up to $50 million in losses resulting from hedging NGLs that utilized natural gas-based financial instruments entered into on or prior to April 24, 2002. This exclusion applies to our quarterly Consolidated EBITDA calculations in which the earnings impact of such specific instruments were recognized. This provision allows for $45.1 million to be added back to Consolidated EBITDA for the first quarter of 2002 and $4.9 million to be added back for the second quarter of 2002. Due to the rolling four-quarter nature of the Consolidated EBITDA calculation, this provision will affect our financial covenants through the first quarter of 2003. In addition, the second amendment temporarily raised the maximum ratio allowed under the Consolidated Indebtedness to Consolidated EBITDA ratio for the rolling-four quarter period ending September 30, 2002 (this provision was superseded by the third amendment to these loan agreements as noted in the following paragraph).

On July 31, 2002, certain covenants of our Multi-Year and 364-Day Credit Facilities were further amended to allow for increased financial flexibility in light of the Mapletree and E-Oaktree acquisitions. As defined within the third amendment to each of these loan agreements, the maximum ratio of Consolidated Indebtedness to Consolidated EBITDA allowed by our lenders was increased as follows from that noted in the second amendment issued in April 2002:

Changes made to the
Consolidated Indebtedness to Consolidated EBITDA Ratio

	Maximum Ratio Allowed	
Calculation made for the rolling four-quarter period ending	Old provisions under 2nd Amendment	New provisions under 3rd Amendment
September 30, 2002	4.50 to 1.0	6.00 to 1.0
December 31, 2002	4.00 to 1.0	5.25 to 1.0
March 31, 2003	4.00 to 1.0	5.25 to 1.0
June 30, 2003	4.00 to 1.0	4.50 to 1.0
September 30, 2003 and for each rolling-four quarter period thereafter	4.00 to 1.0	4.00 to 1.0

In addition, the negative covenant on Indebtedness (as defined within the Multi-Year and 364-Day credit agreements) was amended to permit the Seminole Pipeline Company indebtedness assumed in connection with the acquisition of E-Oaktree.

We were in compliance with the covenants of our Multi-Year and 364-Day revolving credit agreements at June 30, 2002.

Summary of contractual obligations and material commercial commitments

The following table summarizes our contractual obligations and material purchase and other commitments for the periods shown. The values shown in the table are as of June 30, 2002 with the exception that long-term debt includes those obligations incurred or assumed on August 1, 2002 in connection with the Mapletree and E-Oaktree acquisitions.

Contractual Obligation or Material Commercial Commitment	Total	2002	2003	2004 through 2005	2006 through 2007	After 2007
Contractual Obligation (expressed in terms of millions of dollars payable per period:)						
Long-term debt	$2,482.0	$165.0	$1,203.0	$ 610.0		$504.0
Operating leases	$ 16.0	$ 2.7	$ 5.1	$ 5.0	$0.6	$ 2.6
Capital spending commitments:						
Property, plant and equipment	$ 5.1	$ 5.1				
Investments in unconsolidated affiliates	$ 1.7	$ 1.7				
Other commitments (expressed in terms of millions of dollars potentially payable per period):						
Letters of Credit under Multi-Year Credit Facility	$ 9.4			$ 9.4		
Other Material Contractual Obligations (Purchase commitments expressed in terms of minimum volumes under contract per period:)						
NGLs (MBbls)	26,810	6,415	10,371	9,684	340	
Natural gas (BBtus)	135,174	6,863	13,725	25,991	25,595	63,000

Long-term debt. Long-term debt reflects amounts due under our Senior Notes A and B, the MBFC Loan and our two revolving credit facilities. Of the $138 million outstanding under the 364-Day Credit Facility, management is evaluating its refinancing alternatives regarding amounts due in November 2002 under the 364-Day Credit Facility. Management intends to refinance this obligation with a similar obligation at or before maturity.

As noted previously, we have included the aggregate $1.26 billion increase in debt associated with the Mapletree and E-Oaktree acquisitions which occurred on July 31, 2002. The debt associated with these acquisitions consists of (a) the $1.2 billion 364-Day term loan we incurred to pay affiliates of Williams for these businesses plus (b) the $60 million in debt principal outstanding on Seminole's balance sheet at acquisition date. The $1.2 billion 364-Day term loan will be repaid as follows:$150 million due on December 31, 2002, $450 million on March 31, 2003 and $600 million on July 30, 2003. For additional information regarding these new debt obligations, see "*Our debt obligations*" beginning on page 70 and "*Acquisitions*" beginning on page 69.

Operating leases. We lease certain equipment and processing facilities under noncancelable and cancelable operating leases. The amounts shown in the table above represent minimum future rental payments due on such leases with terms in excess of one year. The amounts shown reflect additional operating lease commitments arising from the Diamond-Koch acquisitions in January and February 2002.

Letters of Credit under our Multi-Year Credit Facility. Our letters of credit increased from $2.4 million at December 31, 2001 to $9.4 million at June 30, 2002 primarily due to letter of credit requirements associated with our purchase of hydrocarbon imports. As of August 7, 2002, our letters of credit were $2.2 million.

Recent accounting developments

In June 2001, the FASB issued two new pronouncements: SFAS No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 prohibits the use of the pooling-of-interests method for business combinations initiated after June 30, 2001 and also applies to all business combinations accounted for by the purchase method that are completed after June 30, 2001. There are also transition provisions that apply to business combinations completed before July 1, 2001, that were accounted for by the purchase method. SFAS No. 142 was effective for our fiscal year that began January 1, 2002 for all goodwill and other intangible assets recognized in our consolidated balance sheet at that date, regardless of when those assets were initially recognized.

At December 31, 2001, our intangible assets were comprised of the values associated with the Shell natural gas processing agreement and the goodwill related to the 1999 MBA acquisition. In accordance with SFAS No. 141, we reclassified the MBA goodwill to a separate line item on our consolidated balance sheet apart from the Shell contract. Based upon our interpretation of SFAS No. 142, the value of the Shell natural gas processing agreement will continue to be amortized over its remaining contract term of approximately 18 years; however, amortization of the MBA goodwill will cease. The MBA goodwill will be subject to periodic impairment testing in accordance with SFAS No. 142 due to its indefinite life. For additional information regarding our intangible assets and goodwill (including additions to both classes of assets as a result of the Diamond-Koch acquisitions), see Note 6.

In accordance with the transition provisions of SFAS No. 142, we have completed an impairment review of the December 31, 2001 MBA goodwill balance using a fair value methodology. Professionals in the business valuation industry were consulted regarding the assumptions and techniques used in our analysis. As a result of this review, no impairment loss was indicated. Any subsequent impairment losses stemming from future goodwill impairment studies will be reflected as a component of operating income in the Statements of Consolidated Operations.

In addition to SFAS No. 141 and No. 142, the FASB also issued SFAS No. 143, "Accounting for Asset Retirement Obligations", in June 2001. This statement establishes accounting standards for the recognition and measurement of a liability for an asset retirement obligation and the associated asset retirement cost. This statement is effective for our fiscal year beginning January 1, 2003. We are evaluating the provisions of this statement.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This statement addresses financial accounting and reporting for the impairment and/or disposal of long-lived assets. We adopted this statement effective January 1, 2002 and determined that it did not have any significant impact on our financial statements as of that date.

In April 2002, the FASB issued SFAS No. 145, "Rescission of SFAS Statements No. 4, 44, and 64, Amendment of SFAS No. 13, and Technical Corrections." The purpose of this statement is to update, clarify and simplify existing accounting standards. We adopted this statement effective April 30, 2002 and determined that it did not have any significant impact on our financial statements as of that date.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This standard requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to exit or disposal plan. Examples of costs covered by the standard include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing, or other exit or disposal activity. Previous accounting guidance was provided by EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). "SFAS No. 146 replaces Issue 94-3. SFAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. This statement is effective for our fiscal year beginning January 1, 2003. We are evaluating the provisions of this statement.

Uncertainties regarding our investment in BEF

We have a 33.3% ownership interest in BEF, which owns a facility currently producing MTBE. MTBE has come under increasing scrutiny by various governmental agencies and environmental groups over the last few years because of allegations that MTBE contaminates water supplies, causes health problems and has not been as beneficial in reducing air pollution as originally contemplated in clean air programs. Certain states, primarily California, have moved to ban or reduce MTBE use due to these concerns. In addition, the U.S. Senate, in April 2002, passed an energy bill that includes a total ban on the use of MTBE, effective in four years. The Senate bill now goes to a conference committee with the U.S. House of Representatives for resolution. The U.S. House of Representatives energy bill, which passed in August 2001, contains no such ban. We can give no assurance as to whether the federal government or individual states will ultimately adopt legislation banning the use of MTBE.

In April 2002, a jury in California found three energy companies liable for polluting Lake Tahoe's drinking water with MTBE. While this decision sets no legal precedent, this was the first time that a jury has defined gasoline containing MTBE to be a "defective product". This decision is expected to be appealed. Although this development has no direct impact on BEF since our customer uses the MTBE we produce in its northeastern U.S. operations, it does contribute to the overall challenging outlook regarding the long-term viability of domestic MTBE production.

In light of these developments, we and the other two partners of BEF are actively compiling a contingency plan for the BEF facility should MTBE be banned. We are currently leaning toward a possible conversion of the facility from MTBE production to alkylate production. We believe that if MTBE usage is banned or significantly curtailed, the motor gasoline industry would need a substitute additive to maintain octane levels in gasoline and that alkylate would be an attractive substitute. We are currently undergoing a more rigorous and detailed engineering study that is expected to be completed during the third quarter of 2002, at which time a more definitive conversion cost estimate will be available. The cost to convert the facility will depend on the type of alkylate process chosen and level of alkylate production desired by the partnership.

Conversion of EPCO Subordinated Units to Common Units

As a result of the Company satisfying certain financial tests, 10,704,936 (or 25%) of EPCO's Subordinated Units converted to Common Units on May 1, 2002. Should the financial criteria continue to be satisfied through the first quarter of 2003, an additional 25% of the Subordinated Units would undergo an early conversion to Common Units on May 1, 2003. The remaining 50% of Subordinated Units would convert on August 1, 2003 should the balance of the conversion requirements be met. Subordinated Units have no voting rights until converted to Common Units. The conversion(s) will have no impact upon our earnings per unit since the Subordinated Units are already included in both the basic and fully diluted calculations.

Conversion of Shell Special Units to Common Units

In accordance with existing agreements with Shell, 19.0 million of Shell's non-distribution bearing Special Units converted to distribution-bearing Common Units on August 1, 2002. The remaining 10.0 million Special Units will convert to Common Units on a one-for-one basis in August 2003. These conversions have a dilutive impact on basic earnings per Unit.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are exposed to financial market risks, including changes in commodity prices in our natural gas and NGL businesses and in interest rates with respect to a portion of our debt obligations. We may use financial instruments (i.e., futures, forwards, swaps, options, and other financial instruments with similar characteristics) to mitigate the risks of certain identifiable and anticipated transactions, primarily in our Processing segment. As a matter of policy, we do not use financial instruments for speculative (or trading) purposes.

For additional information regarding our financial instruments, see Note 13 of the Company's Notes to Unaudited Consolidated Financial Statements.

Commodity financial instruments

Our Processing and Octane Enhancement segments are directly exposed to commodity price risk through their respective business operations. The prices of natural gas, NGLs and MTBE are subject to fluctuations in response to changes in supply, market uncertainty and a variety of additional factors that are beyond our control. In order to manage the risks associated with our Processing segment, we may enter into swaps, forwards, commodity futures, options and other commodity financial instruments with similar characteristics that are permitted by contract or business custom to be settled in cash or with another financial instrument. The primary purpose of these risk management activities (or hedging strategies) is to hedge exposure to price risks associated with natural gas, NGL inventories, firm commitments and certain anticipated transactions. We do not hedge our exposure to the MTBE markets. Also, in our Pipelines segment, we may utilize a limited number of commodity financial instruments to manage the price Acadian Gas charges certain of its customers for natural gas.

We have adopted a financial commodity and commercial policy to manage our exposure to the risks of our natural gas and NGL businesses. The objective of these policies is to assist us in achieving our profitability goals while maintaining a portfolio with an acceptable level of risk, defined as remaining within the position limits established by the General Partner. Under these policies, we enter into risk management transactions to manage price risk, basis risk, physical risk or other risks related to our commodity positions on both a short-term (less than one month) and long-term basis, generally not to exceed 24 months. The General Partner oversees our hedging strategies associated with physical and financial risks (such as those mentioned previously), approves specific activities subject to the policies (including authorized products, instruments and markets) and establishes specific guidelines and procedures for implementing and ensuring compliance with the policies.

Our commodity financial instruments may not qualify for hedge accounting treatment under the specific guidelines of SFAS No. 133 because of ineffectiveness. A hedge is normally regarded as effective if, among other things, at inception and throughout the term of the financial instrument, we could expect changes in the fair value of the hedged item to be almost fully offset by the changes in the fair value of the financial instrument. When financial instruments do not qualify as effective hedges under the guidelines of SFAS No. 133, changes in the fair value of these positions are recorded on the balance sheet and in earnings through mark-to-market accounting. The use of mark-to-market accounting for these ineffective instruments results in a degree of non-cash earnings volatility that is dependent upon changes in the underlying commodity prices.

We assess the risk of our commodity financial instrument portfolio using a sensitivity analysis model. The sensitivity analysis performed on this portfolio measures the potential income or loss (e.g., the change in fair value of the portfolio) based upon a hypothetical 10% movement in the underlying quoted market prices of the commodity financial instruments outstanding at the dates noted within the following table. In general, we derive the quoted market prices used in the model from those actively quoted on commodity exchanges (ex. NYMEX) for instruments of similar duration. In those rare instances where prices are not actively quoted, we employ regression analysis techniques possessing strong correlation factors.

The sensitivity analysis model takes into account the following primary factors and assumptions:

o the current quoted market price of natural gas;
o the current quoted market price of NGLs;
o changes in the composition of commodities hedged (i.e., the mix between natural gas and related NGLs);
o fluctuations in the overall volume of commodities hedged (for both natural gas and related NGL hedges outstanding);
o market interest rates, which are used in determining the present value; and
o a liquid market for such financial instruments.

An increase in fair value of the commodity financial instruments (based upon the factors and assumptions noted above) approximates the income that would be recognized if all of the commodity financial instruments were settled at the dates noted within the table. Conversely, a decrease in fair value of the commodity financial instruments would result in the recording of a loss.

The sensitivity analysis model does not include the impact that the same hypothetical price movement would have on the hedged commodity positions to which they relate. Therefore, the impact on the fair value of the commodity financial instruments of a change in commodity prices would be offset by a corresponding gain or loss on the hedged commodity positions, assuming:

o the commodity financial instruments function effectively as hedges of the underlying risk;
o the commodity financial instruments are not closed out in advance of their expected term; and
o as applicable, anticipated underlying transactions settle as expected.

We routinely review our outstanding financial instruments in light of current market conditions. If market conditions warrant, some financial instruments may be closed out in advance of their contractual settlement dates thus realizing income or loss depending on the specific exposure. When this occurs, we may enter into a new commodity financial instrument to reestablish the economic hedge to which the closed instrument relates.

The following table shows the impact of hypothetical price movements on our commodity financial instrument portfolio at the dates indicated:

Sensitivity Analysis for Commodity Financial Instruments Portfolio
Estimates of Fair Value ("FV") and Earnings Impact ("EI")
due to selected changes in quoted market prices at dates selected

Scenario	Resulting classification	Estimated Portfolio Value in millions of dollars at 12/31/01	03/31/02	06/30/02	08/01/02
FV assuming no change in quoted market prices	Asset (Liability)	$ 5.6	$(20.8)	$(11.1)	$(5.5)
FV assuming 10% increase in quoted market prices	Asset (Liability)	$(0.3)	$(30.7)	$(11.3)	$(5.3)
EI assuming 10% increase in quoted market prices	Income (Loss)	$(5.9)	$ (9.9)	$ (0.2)	$ 0.2
FV assuming 10% decrease in quoted market prices	Asset (Liability)	$11.4	$(10.9)	$(10.8)	$(5.8)
EI assuming 10% decrease in quoted market prices	Income (Loss)	$ 5.8	$ 9.9	$ 0.3	$(0.3)

As the table shows, the estimated value of our commodity hedging portfolio declined from a $5.6 million asset at December 31, 2001 to a $20.8 million payable at March 31, 2002. The negative change in value was primarily due to an increase in natural gas prices that occurred at the end of the first quarter of 2002. The vast majority of our hedging transactions over the last year and a half have been based on the historical relationship between natural gas and NGL prices. This type of hedging strategy utilized the forward sale of natural gas at a fixed-price with the expected margin on the settlement of the position offsetting or mitigating changes in the anticipated margins on NGL merchant activities and the value of our equity NGL production.

This strategy was successful during periods of falling natural gas prices (as was the case during most of 2001) and we chose to continue this strategy going into 2002 believing that the fundamentals of the natural gas business indicated additional moderation in prices. Unfortunately, the price of natural gas became unstable and rapidly increased as speculation surrounding potential natural gas shortages began to influence the market in March 2002. As the market price of natural gas increased, our fixed positions became less and less profitable until we were finally left in a payable position (i.e., in a loss position on these instruments). As a result, we recognized a loss from our commodity hedging activities for the first quarter of 2002 of $45.1 million.

Due to the inherent uncertainty that was controlling the markets, management decided that it was prudent for the Company to exit this strategy and did so by late April 2002. By the time that these positions were generally closed out in late April, we had incurred approximately $5.7 million in additional losses; thus, the total commodity hedging loss for 2002 due to this strategy was approximately $50.8 million.

Of the $50.8 million in losses from this strategy recorded during 2002, $7.6 million is related to mark-to-market income from these instruments that we recognized in the fourth quarter of 2001. The remaining $43.2 million

represents our cash exposure from these losses of which $31.9 million has been paid to counterparties through June 30, 2002. The balance of the cash payments will be made over the remainder of 2002.

The value of the portfolio at June 30, 2002 was $11.1 million payable. A movement in market prices at this date has minimal impact on the value of the portfolio because most of the portfolio has been generally closed out as noted above. The change in overall portfolio value primarily reflects the settlement of transactions that occurred during the second quarter of 2002. The value of the portfolio was $5.5 million payable at August 1, 2002. The change between June 30, 2002 and August 1, 2002 is primarily the result of settlements that occurred during July 2002.

Our current hedging strategies are limited in scope and duration. These commodity financial instruments primarily hedge the price risk associated with certain NGL inventories and fuel costs. These instruments are short-term in nature with settlements extending through March 2003. The market value of these instruments at June 30, 2002 was a net payable of $0.3 million, (which is included in the $11.1 million payable market value of the overall portfolio mentioned previously). From a cash flow sensitivity standpoint, if the commodity prices underlying these instruments were to increase by 10% from the levels they were at on June 30, 2002, the amount we would have to pay counterparties would increase to $0.8 million from $0.3 million. Likewise, if the underlying prices decreased by 10%, we would receive cash of $0.1 million from counterparties as opposed to paying $0.3 million. These amounts do not reflect the degree to which the cash flows of the hedged transaction would be oppositely affected by the change in prices. A variety of factors influence whether or not our hedging strategies are successful.

Interest rate swaps

Our interest rate exposure results from variable-rate borrowings from commercial banks and fixed-rate borrowings pursuant to the Company's Senior Notes and MBFC Loan. We manage a portion of our exposure to changes in interest rates by utilizing interest rate swaps. The objective of holding interest rate swaps is to manage debt service costs by converting a portion of fixed-rate debt into variable-rate debt or a portion of variable-rate debt into fixed-rate debt. An interest rate swap, in general, requires one party to pay a fixed-rate on the notional amount while the other party pays a floating-rate based on the notional amount.

The General Partner oversees the strategies associated with financial risks and approves instruments that are appropriate for our requirements. At June 30, 2002, we had one interest rate swap outstanding having a notional amount of $54 million extending through March 2010. Under this agreement, we exchanged a fixed-rate of 8.70% for a market-based variable-rate. If the counterparty elects to do so, it may terminate this swap in March 2003.

We recognized income of $0.7 million and $0.8 million for the three and six months ended June 30, 2002, respectively, that is treated as a reduction of interest expense in our Statements of Consolidated Operations. The fair value of the interest rate swap at June 30, 2002 was a receivable of $3.1 million. This fair value would decrease slightly if quoted market interest rates were to increase by 10%.

Part II, Other Information
Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

2.1 Purchase and Sale Agreement between Coral Energy, LLC and Enterprise Products Operating L.P. dated as of September 22, 2000. (Exhibit 10.1 to the Company's Form 8-K filed on September 26, 2000).

2.2 Purchase and Sale Agreement dated as of January 16, 2002 by and between Diamond-Koch, L.P. and Diamond-Koch III, L.P. and Enterprise Products Texas Operating L.P. (Exhibit 10.1 to the Company's Form 8-K filed February 8, 2002).

2.3 Purchase and Sale Agreement dated as of January 31, 2002 by and between D-K Diamond-Koch, L.L.C., Diamond-Koch, L.P. and Diamond-Koch III, L.P. as Sellers, and Enterprise Products Operating L.P., as Buyer. (Exhibit 10.2 to the Company's Form 8-K filed February 8, 2002).

2.4 Purchase Agreement dated as of July 31, 2002 by and between E-Birchtree, LLC and E-Cypress, LLC (Exhibit 2.1 to the Company's Form 8-K filed August 12, 2002).

2.5 Purchase Agreement dated as of July 31, 2002 by and between E-Birchtree, LLC and Enterprise Products Operating L.P. (Exhibit 2.2 to the Company's Form 8-K filed August 12, 2002).

3.1 Form of Amended and Restated Agreement of Limited Partnership of Enterprise Products Operating L.P. (Exhibit 3.2 to the Company's Registration Statement of Form S-1/A, File No. 333-52537, filed on July 21, 1998).

3.2 First Amended and Restated Limited Liability Company Agreement of Enterprise Products GP, LLC dated September 17, 1999. (Exhibit 99.8 on the Company's Form 8-K/A-1 filed October 27, 1999).

3.3* Third Amended and Restated Agreement of Limited Partnership of Enterprise Products Partners L.P. dated May 15, 2002.

3.4* Amendment No. 1 to Third Amended and Restated Agreement of Limited Partnership of Enterprise Products Partners L.P. dated August 7, 2002.

4.1 Form of Common Unit certificate. (Exhibit 4.1 to the Company's Registration Statement on Form S-1/A, File No. 333-52537, filed on July 21, 1998).

4.2 Unitholder Rights Agreement among Tejas Energy LLC, Tejas Midstream Enterprises, LLC, Enterprise Products Partners L.P., Enterprise Products Operating L.P., Enterprise Products Company, Enterprise Products GP, LLC and EPC Partners II, Inc. dated September 17, 1999. (The Company incorporates by reference the above document included as Exhibit "C" to the Schedule 13D filed September 27, 1999 by Tejas Energy, LLC).

4.3 Contribution Agreement by and among Tejas Energy LLC, Tejas Midstream Enterprises, LLC, Enterprise Products Partners L.P., Enterprise Products Operating L.P., Enterprise Products Company, Enterprise Products GP, LLC and EPC Partners II, Inc. dated September 17, 1999. (The Company incorporates by reference the above document included as Exhibit "B" to the Schedule 13 D filed September 27, 1999 by Tejas Energy, LLC).

4.4 Registration Rights Agreement between Tejas Energy LLC and Enterprise Products Partners L.P. dated September 17, 1999. (The Company incorporates by reference the above document included as Exhibit "E" to the Schedule 13 D filed September 27, 1999 by Tejas Energy, LLC).

4.5 Form of Indenture dated as of March 15, 2000, among Enterprise Products Operating L.P., as Issuer, Enterprise Products Partners L.P., as Guarantor, and First Union National Bank, as Trustee. (Exhibit 4.1 on the Company's Form 8-K filed March 10, 2000).

4.6 Form of Global Note representing $350 million principal amount of 8.25% Senior Notes due 2005 (the "Senior Notes A"). (Exhibit 4.2 on the Company's Form 8-K filed March 10, 2000).

4.7 $250 million Multi-Year Revolving Credit Agreement (the "Multi-Year Credit Facility") among Enterprise Products Operating L.P., First Union National Bank, as administrative agent; Bank One, NA, as documentation agent; and The Chase Manhattan Bank, as syndication agent and the Several Banks from time to time parties thereto dated November 17, 2000. (Exhibit 4.2 on the Company's Form 8-K filed January 25, 2001).

4.8 $150 Million 364-Day Revolving Credit Agreement (the "364-Day Credit Facility") among Enterprise Products Operating L.P. and First Union National Bank, as administrative agent; Bank One, NA, as documentation agent; and The Chase Manhattan Bank, as syndication agent and the Several Banks from time to time parties thereto dated November 17, 2000. (Exhibit 4.3 on the Company's Form 8-K filed January 25, 2001).

4.9 Guaranty Agreement (relating to the Multi-Year Credit Facility) by Enterprise Products Partners L.P. in favor of First Union National Bank, as administrative agent dated November 17, 2000.(Exhibit 4.4 on the Company's Form 8-K filed January 25, 2001).

4.10 Guaranty Agreement (relating to the 364-Day Credit Facility) by Enterprise Products Partners L.P. in favor of First Union National Bank, as administrative agent dated November 17, 2000. (Exhibit 4.5 on the Company's Form 8-K filed January 25, 2001).

4.11 Form of Global Note representing $450 million principal amount of 7.50% Senior Notes due 2011 (the "Senior Notes B"). (Exhibit 4.1 to the Company's Form 8-K filed January 25, 2001).

4.12 First Amendment to Multi-Year Credit Facility dated April 19, 2001. (Exhibit 4.12 to the Company's Form 10-Q filed May 14, 2001).

4.13 First Amendment to 364-Day Credit Facility dated November 6, 2001, effective as of November 16, 2001. (Exhibit 4.13 to the Company's Form 10-K filed March 21, 2002).

4.14 Second Amendment and Supplement to Multi-Year Credit Facility dated April 24, 2002.

4.15 Second Amendment and Supplement to 364-Day Credit Facility dated April 24, 2002.

4.16 Third Amendment and Supplement to Multi-Year Credit Facility dated July 31, 2002. (Exhibit 4.1 to the Company's Form 8-K filed August 12, 2002).

4.17 Third Amendment and Supplement to 364-Day Credit Facility dated July 31, 2002. (Exhibit 4.2 to the Company's Form 8-K filed August 12, 2002).

4.18 $1.2 billion 364-Day Term Loan Credit Agreement among Enterprise Products Operating L.P.; Wachovia Bank, National Association, as administrative agent; Lehman Commercial Paper Inc., as co-syndication agent; and the Royal Bank of Canada, as co-syndication agent and arranger dated July 31, 2002. (Exhibit 4.3 to the Company's Form 8-K filed August 12, 2002).

4.19 Guaranty Agreement (relating to the $1.2 billion 364-Day Term Loan Credit Agreement) by Enterprise Products Partners L.P. in favor of Wachovia Bank, National Association, as administrative agent dated July 31, 2002. (Exhibit 4.4 to the Company's Form 8-K filed August 12, 2002).

12.1* Computation of ratio of earnings to fixed charges for the six months ended June 30, 2002 and each of the five years ended December 31, 2001, 2000, 1999, 1998 and 1997 for Enterprise Products Partners L.P.

12.2* Computation of ratio of earnings to fixed charges for the six months ended June 30, 2002 and each of the five years ended December 31, 2001, 2000, 1999, 1998 and 1997 for Enterprise Products Operating L.P.

* An asterisk indicates that an exhibit is filed in conjunction with this report. All other documents are incorporated by reference as indicated in their descriptions.

No material contracts have been entered into during the first six months of 2002.

(b) Reports on Form 8-K.

On April 2, 2002, we filed a Form 8-K that noted a press release declaring our first quarter of 2002 distribution rate of $0.67 per Common Unit (on a pre-split basis).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized, in the City of Houston, State of Texas on August 13, 2002.

ENTERPRISE PRODUCTS PARTNERS L.P.
(A Delaware Limited Partnership)
ENTERPRISE PRODUCTS OPERATING L.P.
(A Delaware Limited Partnership)

By: Enterprise Products GP, LLC,
As General Partner for both registrants

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

THIRD AMENDED AND RESTATED

AGREEMENT OF LIMITED PARTNERSHIP

OF

ENTERPRISE PRODUCTS PARTNERS L.P.

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

THIS THIRD AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF ENTERPRISE PRODUCTS PARTNERS L.P. dated as of May 15, 2002, is entered into by and among Enterprise Products GP, LLC, a Delaware limited liability company, as the General Partner, and the Limited Partners as provided herein. In consideration of the covenants, conditions and agreements contained herein, the parties hereto hereby agree as follows:

ARTICLE I.........

DEFINITIONS

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

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

ARTICLE II

ORGANIZATION

2.1 *Formation*. The Partnership has been previously formed as a limited partnership pursuant to the provisions of the Delaware Act. The General Partner and the Limited Partners hereby amend and restate in its entirety the Agreement of Limited Partnership of Enterprise Products Partners L.P., dated April 9, 1998, as amended by that certain First Amendment to Agreement of Limited Partnership of Enterprise Products Partners L.P., dated as of June 1, 1998, as amended by that certain Amended and Restated Agreement of Limited Partnership of Enterprise Products Partners L.P., dated as of July 31, 1998, as amended by that certain Second Amended and Restated Agreement of Limited Partnership of Enterprise Products Partners L.P., dated September 17, 1999, as amended by Amendment No. 1, dated as of June 9, 2000, to the Second Amended and Restated Agreement of Limited Partnership of Enterprise Products Partners L.P. The purpose of this amendment and restatement is to reflect the various numerical changes resulting from the two-for-one split in Common Units, Subordinated Units and Class A Special Units (the "Unit Split") declared by the General Partner on February 27, 2002, having a record date of April 30, 2002 and a payment date of May 15, 2002. The Unit Split was effectuated in accordance with Section 5.10 of this Agreement, and all such numerical changes are reflected as if the Unit Split had occurred at the beginning of the Partnership. Subject to the provisions of this Agreement, the General Partner and the Limited Partners hereby continue the Partnership as a limited partnership pursuant to the provisions of the Delaware Act. This amendment and restatement shall become effective on the date of this Agreement. Except as expressly provided to the contrary in this Agreement, the rights, duties (including fiduciary duties), liabilities and obligations of the Partners and the administration, dissolution and termination of the Partnership shall be governed by the Delaware Act. All Partnership Interests shall constitute personal property of the owner thereof for all purposes and a Partner has no interest in specific Partnership property.

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

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

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

(a) to serve as a limited partner in the Operating Partnership and any of its Subsidiary partnerships and, in connection therewith, to exercise all of the rights and powers conferred upon the Partnership as a limited partner in such partnerships pursuant to the partnership agreements for such entities or otherwise;

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

(c) to engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any business activity that is approved by the General Partner and which lawfully may be conducted by a limited partnership organized pursuant to the Delaware Act and, in connection therewith, to exercise all of the rights and powers conferred upon the Partnership pursuant to the agreements relating to such business activity; provided, however, that the General Partner determines in good faith, prior to the conduct of such activity, that the conduct by the Partnership of such activity is not likely to result in the Partnership being treated as an association taxable as a corporation for federal income tax purposes; and

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

The General Partner has no obligation or duty to the Partnership, the Limited Partners or any Assignee to propose or approve, and in its sole discretion may decline to propose or approve, the conduct by the Partnership of any business.

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

2.6 *Power of Attorney.*

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

(i) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (A) all certificates, documents and other instruments (including this Agreement and the Certificate of Limited Partnership and all amendments or restatements hereof or thereof) that the General Partner or the Liquidator deems necessary or appropriate to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware and in all other

jurisdictions in which the Partnership may conduct business or own property; (B) all certificates, documents and other instruments that the General Partner or the Liquidator deems necessary or appropriate to reflect, in accordance with its terms, any amendment, change, modification or restatement of this Agreement; (C) all certificates, documents and other instruments (including conveyances and a certificate of cancellation) that the General Partner or the Liquidator deems necessary or appropriate to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement; (D) all certificates, documents and other instruments relating to the admission, withdrawal, removal or substitution of any Partner pursuant to, or other events described in, Article IV, X, XI or XII; (E) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges of any class or series of Partnership Securities issued pursuant to Section 5.6; and (F) all certificates, documents and other instruments (including agreements and a certificate of merger) relating to a merger or consolidation of the Partnership pursuant to Article XIV; and

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

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

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

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

2.8 *Title to Partnership Assets*. Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partner or

Assignee, individually or collectively, shall have any ownership interest in such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the

General Partner, one or more of its Affiliates or one or more nominees, as the General Partner may determine. The General Partner hereby declares and warrants that any Partnership assets for which record title is held in the name of the General Partner or one or more of its Affiliates or one or more nominees shall be held by the General Partner or such Affiliate or nominee for the use and benefit of the Partnership in accordance with the provisions of this Agreement; provided, however, that the General Partner shall use reasonable efforts to cause record title to such assets (other than those assets in respect of which the General Partner determines that the expense and difficulty of conveyancing makes transfer of record title to the Partnership impracticable) to be vested in the Partnership as soon as reasonably practicable; provided, further, that, prior to the withdrawal or removal of the General Partner or as soon thereafter as practicable, the General Partner shall use reasonable efforts to effect the transfer of record title to the Partnership and, prior to any such transfer, will provide for the use of such assets in a manner satisfactory to the General Partner. All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which record title to such Partnership assets is held.

ARTICLE III

RIGHTS OF LIMITED PARTNERS

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

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

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

3.4 *Rights of Limited Partners.*

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

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

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

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

(iv) to have furnished to him a copy of this Agreement and the Certificate of Limited Partnership and all amendments thereto, together with a copy of the executed copies of all powers of attorney pursuant to which this Agreement, the Certificate of Limited Partnership and all amendments thereto have been executed;

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

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

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

ARTICLE IV

CERTIFICATES; RECORD HOLDERS; TRANSFER OF PARTNERSHIP INTERESTS;
REDEMPTION OF PARTNERSHIP INTERESTS

4.1 *Certificates*. Upon the Partnership's issuance of Common Units, Subordinated Units or Class A Special Units to any Person, the Partnership shall issue one or more Certificates in the name of such Person evidencing the number of such Units being so issued. In addition, (a) upon the General Partner's request, the Partnership shall issue to it one or more Certificates in the name of the General Partner evidencing its interests in the Partnership and (b) upon the request of any Person owning any Partnership Securities, the

Partnership shall issue to such Person one or more Certificates evidencing such Partnership Securities. Certificates shall be executed on behalf of the Partnership by the Chairman of the Board, President or any Executive Vice President or Vice President and the Secretary or any Assistant Secretary of the General Partner. No Common Unit Certificate shall be valid for any purpose until it has been countersigned by the Transfer Agent. Subject to the requirements of Section 6.7(b), the Partners holding Certificates evidencing Subordinated Units may exchange such Certificates for Certificates evidencing Common Units on or after the date on which such Subordinated Units are converted into Common Units pursuant to the terms of Section 5.8. Subject to the requirements of Section 6.7(b), the Partners holding Certificates evidencing Class A Special Units may exchange such Certificates for Certificates evidencing Common Units on or after the date on which such Class A Special Units are converted into Common Units pursuant to the terms of Section 5.12.

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

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

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

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

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

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

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

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

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

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

4.4 *Transfer Generally.*

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

hypothecation, mortgage, exchange or any other disposition by law or otherwise.

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

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

4.5 *Registration and Transfer of Limited Partner Interests.*

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

Limited Partner Interests evidenced by a Certificate, and subject to the provisions of Section 4.5(b), the appropriate officers of the General Partner on behalf of the Partnership shall execute and deliver, and in the case of Common Units, the Transfer Agent shall countersign and deliver, in the name of the holder or the designated transferee or transferees, as required pursuant to the holder's instructions, one or more new Certificates evidencing the same aggregate number and type of Limited Partner Interests as was evidenced by the Certificate so surrendered.

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

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

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

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

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

4.6 *Transfer of General Partner Interest.*

(a) Subject to Section 4.6(c) below, prior to June 30, 2008, the General Partner shall not transfer all or any part of its General Partner Interest to a Person unless such transfer (i) has been approved by the prior written consent or vote of the holders of at least a majority of the Outstanding Common Units (excluding any Common Units held by the General Partner and its Affiliates) or (ii) is of all, but not less than all, of its General Partner Interest 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 the General Partner of all or substantially all of its assets to another Person.

(b) Subject to Section 4.6(c) below, on or after June 30, 2008, the General Partner may transfer all or any of its General Partner Interest without Unitholder approval.

(c) Notwithstanding anything herein to the contrary, no transfer by the General Partner of all or any part of its General Partner Interest to another Person shall be permitted unless (i) the transferee agrees to assume the rights and duties of the General Partner under this Agreement and the Operating Partnership Agreement and to be bound by the provisions of this Agreement and the Operating Partnership Agreement, (ii) the Partnership receives an Opinion of Counsel that such transfer would not result in the loss of limited liability of any Limited Partner or of any member of the Operating Partnership or cause the Partnership or the Operating Partnership to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not already so treated or taxed) and (iii) such transferee also agrees to purchase all (or the appropriate portion thereof, if applicable) of the partnership interest of the General Partner as the general partner of each other Group Member. In the case of a transfer pursuant to and in compliance with this Section 4.6, the transferee or successor (as the case may be) shall, subject to compliance with the terms of Section 10.3, be admitted to the Partnership as a General Partner immediately prior to the transfer of the General Partner Interest, and the business of the Partnership shall continue without dissolution.

4.7 *Restrictions on Transfers.*

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

(b) The General Partner may impose restrictions on the transfer of Partnership Interests if a subsequent Opinion of Counsel determines that such restrictions are necessary to avoid a significant risk of the Partnership or the Operating Partnership becoming taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes. The restrictions may be imposed by making such amendments to this Agreement as the General Partner may determine to be necessary or appropriate to impose such restrictions; provided, however, that any amendment that the General Partner believes, in the exercise of its reasonable discretion, could result in the delisting or suspension of trading of any class of Limited Partner Interests on the principal National Securities Exchange on which such class of Limited Partner Interests is then traded must be approved, prior to such amendment being effected, by the holders of at least a majority of the Outstanding Limited Partner Interests of such class.

(c) The transfer of a Subordinated Unit that has converted into a Common Unit shall be subject to the restrictions imposed by Section 6.7(b), and the transfer of a Class A Special Unit that has been converted into a Common Unit shall be subject to the restrictions imposed by Section 6.7(b).

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

4.8 *Citizenship Certificates; Non-citizen Assignees.*

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

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

(c) Upon dissolution of the Partnership, a Non-citizen Assignee shall have no right to receive a distribution in kind pursuant to Section 12.4 but shall be entitled to the cash equivalent thereof, and the Partnership shall provide cash in exchange for an assignment of the Non-citizen Assignee's share of the distribution in kind. Such payment and assignment shall be treated for Partnership purposes as a purchase by the Partnership from the Non-citizen Assignee of his Limited Partner Interest (representing his right to receive his share of such distribution in kind).

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

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

(a) If at any time a Limited Partner or Assignee fails to furnish a Citizenship Certification or other information requested within the 30-day period specified in Section 4.8(a), or if upon receipt of such Citizenship Certification or other information the General Partner determines, with the advice of counsel, that a Limited Partner or Assignee is not an Eligible Citizen, the Partnership may, unless the Limited Partner or Assignee establishes to the satisfaction of the General Partner that such Limited Partner or Assignee is an Eligible Citizen or has transferred his Partnership Interests to a Person who is an Eligible Citizen and who furnishes a Citizenship Certification to the General Partner prior to the date fixed for redemption as provided below, redeem the Partnership Interest of such Limited Partner or Assignee as follows:

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

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

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

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

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

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

ARTICLE V

CAPITAL CONTRIBUTIONS AND ISSUANCE OF PARTNERSHIP INTEREST

5.1 *Prior Contributions*. Prior to the date hereof, the General Partner made certain Capital Contributions to the Partnership in exchange for an interest in the Partnership and has been admitted as the General Partner of the Partnership, and EPC Partners II made certain Capital Contributions to the Partnership in exchange for an interest in the Partnership and has been admitted as a Limited Partner of the Partnership.

5.2 *Continuation of General Partner and Limited Partner Interests; Initial Offering; Issuance of Class A Special Units; Contributions by the General Partner.*

(a) The Partnership Interest of the General Partner in the Partnership shall be continued, subject to all of the rights, privileges and duties of the General Partner under this Agreement.

(b) On the Closing Date, the Partnership Interest of EPC Partners II in the Partnership was converted into 67,105,830 Common Units and 42,819,740 Subordinated Units, and such Partnership Interest shall be continued.

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

(d) Upon the issuance of the Class A Special Units (other than the Series 2002B Class A Special Units) and upon the issuance of any additional Limited Partner Interests by the Partnership, the General Partner shall be required to make additional Capital Contributions equal to 1/99th of any amount contributed to the Partnership in exchange for such additional Limited Partner Interests. Except as set forth in the immediately preceding sentence and Article XII, the General Partner shall not be obligated to make any additional Capital Contributions to the Partnership.

5.3 *Contributions by the Underwriters.*

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

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

(c) No Limited Partner Partnership Interests were issued or issuable as of or at the Closing Date other than (i) the Common Units issuable pursuant to subparagraph (a) hereof in aggregate number equal to 24,000,000, (ii) the "Option Units" as such term is used in the Underwriting Agreement in aggregate number up to 3,600,000 issuable upon exercise of the Over-Allotment Option pursuant to subparagraph (b) hereof, and (iii) the 67,105,830 Common Units and 42,819,749 Subordinated Units issuable to EPC Partners II pursuant to Section 5.2(b).

(d) On the date hereof, Tejas shall be issued 29,000,000 Class A Special Units and be admitted as a Limited Partner of the Partnership in exchange for certain Capital Contributions described in the Tejas Contribution Agreement. If, but only if, the Year 2000 Performance Test is fully satisfied and met, Tejas will be issued an additional 6,000,000 Class A Special Units in accordance with the Year 2000 Performance Test and, if, but only if, the Year 2001 Performance Test is fully satisfied and met, Tejas will be issued an additional 6,000,000 Class A Special Units in accordance with the Year 2001 Performance Test; provided, however, that if the Year 2000 Performance Test and/or the Year 2001 Performance Test is not met, the Class A Special Units that would have been but were not issued pursuant to such tests will be issued to Tejas in accordance with the Combined Performance Test if, but only if, the Combined Performance Test is met. In no event shall the aggregate number of Class A Special Units issued upon satisfaction of the Performance Tests (collectively, the "Series 2002B Class A Special Units") exceed 12,000,000. Upon the issuance of any Series 2002B Class A Special Units pursuant to this Section 5.3(d), the Net Agreed Value of Tejas' initial Capital Contribution shall be increased by an amount equal to the fair market value of such Series 2002B Class A Special Units discounted at a 5.42% rate to the date hereof.

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

5.5 *Capital Accounts.*

(a) The Partnership shall maintain for each Partner (or a beneficial owner of Partnership Interests held by a nominee in any case in which the nominee has furnished the identity of such owner to the Partnership in accordance with Section 6031(c) of the Code or any other method acceptable to the General Partner in its sole discretion) owning a Partnership Interest a separate Capital Account with respect to such

Partnership Interest in accordance with the rules of Treasury Regulation Section 1.704-1(b)(2)(iv). Such Capital Account shall be increased by (i) the amount of all Capital Contributions made to the Partnership with respect to such Partnership Interest pursuant to this Agreement and (ii) all items of Partnership income and gain (including, without limitation, income and gain exempt from tax) computed in accordance with Section 5.5(b) and allocated with respect to such Partnership Interest pursuant to Section 6.1, and decreased by (A) the amount of cash or Net Agreed Value of all actual and deemed distributions of cash or property made with respect to such Partnership Interest pursuant to this Agreement and (B) all items of Partnership deduction and loss computed in accordance with Section 5.5(b) and allocated with respect to such Partnership Interest pursuant to Section 6.1.

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

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

(ii) All fees and other expenses incurred by the Partnership to promote the sale of (or to sell) a Partnership Interest that can neither be deducted nor amortized under Section 709 of the Code, if any, shall, for purposes of Capital Account maintenance, be treated as an item of deduction at the time such fees and other expenses are incurred and shall be allocated among the Partners pursuant to Section 6.1.

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

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

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

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

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

(ii) Immediately prior to the transfer of (A) a Subordinated Unit or of a Subordinated Unit that has converted into a Common Unit pursuant to Section 5.8 by a holder thereof (other than a transfer to an Affiliate unless the General Partner elects to have this subparagraph 5.5(c)(ii) apply) or (B) a Class A Special Unit that has converted into a Common Unit pursuant to Section 5.12, the Capital Account maintained for such Person with respect to its Subordinated Units, converted Subordinated Units or converted Class A Special Units will (x) first, be allocated to the Subordinated Units, converted Subordinated Units or converted Class A Special Units to be transferred in an amount equal to the product of (1) the number of such Subordinated Units,

converted Subordinated Units or converted Class A Special Units to be transferred and (2) the Per Unit Capital Amount for a Common Unit, and (y) second, any remaining balance in such Capital Account will be retained by the transferor, regardless of whether it has retained any Subordinated Units, converted Subordinated Units or converted Class A Special Units. Following any such allocation, the transferor's Capital Account, if any, maintained with respect to the retained Subordinated Units, converted Subordinated Units or converted Class A Special Units, if any, will have a balance equal to the amount allocated under clause (y) hereinabove, and the transferee's Capital Account established with respect to the transferred Subordinated Units, converted Subordinated Units or converted Class A Special Units will have a balance equal to the amount allocated under clause (x) hereinabove. If the transferor has not retained any Subordinated Units, converted Subordinated Units or converted Class A Special Units, any remaining balance in such Capital Account will be retained by transferor, such Capital Account interest having rights to receive distributions pursuant to Section 12.4(c) and being allocated Net Termination Losses pursuant to Section 6.1(c)(ii)(C).

(d) (i) In accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f), on an issuance of additional Partnership Interests for cash or Contributed Property or the conversion of the General Partner's Combined Interest to Common Units pursuant to Section 11.3(c), the Capital Account of all Partners and the Carrying Value of each Partnership property immediately prior to such issuance shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership property, as if such Unrealized Gain or Unrealized Loss had been recognized on an actual sale of each such property immediately prior to such issuance and had been allocated to the Partners at such time pursuant to Section 6.1 in the same manner as any item of gain or loss actually recognized during such period would have been allocated. In determining such Unrealized Gain or Unrealized Loss, the aggregate cash amount and fair market value of all Partnership assets (including, without limitation, cash or cash equivalents) immediately prior to the issuance of additional Partnership Interests shall be determined by the General Partner using such reasonable method of valuation as it may adopt; provided, however, that the General Partner, in arriving at such valuation, must take fully into account the fair market value of the Partnership Interests of all Partners at such time. The General Partner shall allocate such aggregate value among the assets of the Partnership (in such manner as it determines in its discretion to be reasonable) to arrive at a fair market value for individual properties.

(ii) In accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f), immediately prior to any actual or deemed distribution to a Partner of any Partnership property (other than a distribution of cash that is not in redemption or retirement of a Partnership Interest), the Capital Accounts of all Partners and the Carrying Value of all Partnership property shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership property, as if such Unrealized Gain or Unrealized Loss had been recognized in a sale of such property immediately prior to such distribution for an amount equal to its fair market value, and had been allocated to the Partners, at such time, pursuant to Section 6.1 in the same manner as any item of gain or loss actually recognized during such period would have been allocated. In determining such Unrealized Gain or Unrealized Loss the aggregate cash amount and fair market value of all Partnership assets (including, without limitation, cash or cash equivalents) immediately prior to a distribution shall (A) in the case of an actual distribution which is not made pursuant to Section 12.4 or in the case of a deemed contribution and/or distribution occurring as a result of a termination of the Partnership pursuant to Section 708 of the Code, be determined and allocated in the same manner as that provided in Section 5.5(d)(i) or (B) in the case of a liquidating distribution pursuant to Section 12.4, be determined and allocated by the Liquidator using such reasonable method of valuation as it may adopt.

5.6 *Issuances of Additional Partnership Securities.*

(a) Subject to Section 5.7, the Partnership may issue additional Partnership Securities and options, rights, warrants and appreciation rights relating to the Partnership Securities for any Partnership purpose at any time and from time to time to such Persons for such consideration and on such terms and conditions as shall be established by the General Partner in its sole discretion, all without the approval of any Limited Partners.

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

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

5.7 *Limitations on Issuance of Additional Partnership Securities*. The issuance of Partnership Securities pursuant to Section 5.6 shall be subject to the following restrictions and limitations:

(a) During the Subordination Period, the Partnership shall not issue (and shall not issue any options, rights, warrants or appreciation rights relating to) an aggregate of more than 95,550,000 additional Parity Units without the prior approval of the holders of a Unit Majority. The Class A Special Units issued hereunder shall be deemed to be Parity Units. In applying this limitation, there shall be excluded Common Units and other Parity Units issued (i) in connection with the exercise of the Over-Allotment Option, (ii) in accordance with Sections 5.7(b) and 5.7(c), (iii) upon conversion of Subordinated Units pursuant to Section 5.8, (iv) upon conversion of Class A Special Units pursuant to Section 5.12, (v) upon conversion of the General Partner Interest pursuant to Section 11.3(c), (vi) pursuant to the employee benefit plans of the General Partner, EPC, the Partnership or any other Group Member and (vii) in the event of a combination or subdivision of Common Units.

(b) The Partnership may also issue an unlimited number of Parity Units, prior to the end of the Subordination Period and without the approval of the Unitholders if such issuance occurs (i) in connection with an Acquisition or a Capital Improvement or (ii) within 365 days of an Acquisition or a

Capital Improvement where the net proceeds from such issuance are used to repay debt incurred in connection with such Acquisition or Capital Improvement, in each case where such Acquisition or Capital Improvement involves assets that, if acquired by the Partnership as of the date that is one year prior to the first day of the Quarter in which such Acquisition is to be consummated or such Capital Improvement is to be completed, would have resulted, on a pro forma basis, in an increase in:

A. the amount of Adjusted Operating Surplus generated by the Partnership 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

B. the actual amount of Adjusted Operating Surplus generated by the Partnership 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.

If the issuance of Units with respect to an Acquisition or Capital Improvement occurs within the first four full Quarters after the Closing Date, then Adjusted Operating Surplus as used in clauses (A) (subject to the succeeding sentence) and (B) above will be calculated (i) 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 Partnership generated with respect to such Quarter and (ii) for each other Quarter, on a pro forma basis not inconsistent with the procedures, as applicable, set forth in Appendix D to the Registration Statement. Furthermore, the amount in clause (A) shall be determined on a pro forma basis assuming that (1) all of the Parity Units to be issued in connection with (or as a part of but within 365 days of) such Acquisition or Capital Improvement had been issued and outstanding, (2) all indebtedness for borrowed money to be incurred or assumed in connection with such Acquisition or Capital Improvement (other than any such indebtedness that is to be repaid with the proceeds of such issuance) had been incurred or assumed, in each case as of the commencement of such four-Quarter period, (3) the personnel expenses that would have been incurred by the Partnership in the operation of the acquired assets are the personnel expenses for employees to be retained by the Partnership in the operation of the acquired assets, and (4) the non-personnel costs and expenses are computed on the same basis as those incurred by the Partnership in the operation of the Partnership's business at similarly situated Partnership facilities.

(c) During the Subordination Period, the Partnership shall not issue (and shall not issue any options, rights, warrants or appreciation rights relating to) additional Partnership Securities having rights to distributions or in liquidation ranking prior or senior to the Common Units, without the prior approval of the holders of a Unit Majority.

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

5.8 *Conversion of Subordinated Units.*

(a) A total of 10,704,936 of the Outstanding Subordinated Units will convert into Common Units on a one-for-one basis on the first day after the Record Date for distribution in respect of any Quarter ending on or after June 30, 2001, in respect of which:

(i) distributions under Section 6.4 in respect of all Outstanding Common Units and 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 Partnership in respect of incentive compensation), plus the related distribution on the General Partner Interest and on the general partner interest in the Operating Partnership; and

(iii) the Cumulative Common Unit Arrearage on all of the Common Units is zero.

(b) An additional 10,704,936 of the Outstanding Subordinated Units will convert into Common Units on a one-for-one basis on the first day after the Record Date for distribution in respect of any Quarter ending on or after June 30, 2002, in respect of which:

(i) distributions under Section 6.4 in respect of all Outstanding Common Units and 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 Partnership in respect of incentive compensation), plus the related distribution on the General Partner Interest and on the general partner interest in the Operating Partnership; and

(iii) the Cumulative Common Unit Arrearage on all of the Common Units is zero;

provided, however, that the conversion of Subordinated Units pursuant to this Section 5.8(b) may not occur until at least one year following the conversion of Subordinated Units pursuant to Section 5.8(a).

(c) In the event that less than all of the Outstanding Subordinated Units shall convert into Common Units pursuant to Section 5.8(a) or 5.8(b) at a time when there shall be more than one holder of Subordinated Units, then, unless all of the holders of Subordinated Units shall agree to a different allocation, the Subordinated Units that are to be converted into Common Units shall be allocated among the holders of Subordinated Units pro rata based on the number of Subordinated Units held by each such holder.

(d) Any Subordinated Units that are not converted into Common Units pursuant to Sections 5.8(a) and (b) shall convert into Common Units on a one-for-one basis on the first day following the Record Date for distributions in respect of the final Quarter of the Subordination Period.

(e) Notwithstanding any other provision of this Agreement, all the then Outstanding Subordinated Units will automatically convert into Common Units on a one-for-one basis as set forth in, and pursuant to the terms of, Section 11.4.

(f) A Subordinated Unit that has converted into a Common Unit shall be subject to the provisions of Section 6.7(b).

5.9 *Limited Preemptive Right.*

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

5.10 *Splits and Combinations.*

(a) Subject to Sections 5.10(d), 6.6 and 6.8 (dealing with adjustments of distribution levels), the Partnership may make a Pro Rata distribution of Partnership Securities to all Record Holders or may effect a subdivision or combination of Partnership Securities so long as, after any such event, each Partner shall have the same Percentage Interest in the Partnership as before such event, and any amounts calculated on a per Unit basis (including any Common Unit Arrearage or Cumulative Common Unit Arrearage) or stated as a number of Units (including the number of Subordinated Units that may convert prior to the end of the Subordination Period, and the number of additional Parity Units that may be issued pursuant to Section 5.7 without a Unitholder vote, and the number of Common Units into which Class A Special Units are to be converted pursuant to Section 5.12) are proportionately adjusted retroactive to the beginning of the Partnership.

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

(c) Promptly following any such distribution, subdivision or combination, the Partnership may issue Certificates to the Record Holders of Partnership Securities as of the applicable Record Date representing the new number of Partnership Securities held by such Record Holders, or the General Partner may adopt such other procedures as it may deem appropriate to reflect such changes. If any such combination results in a smaller total number of Partnership Securities Outstanding, the Partnership shall require, as a condition to the delivery to a Record Holder of such new Certificate, the surrender of any Certificate held by such Record Holder immediately prior to such Record Date.

(d) The Partnership shall not issue fractional Units upon any distribution, subdivision or combination of Units. If a distribution, subdivision or combination of Units would result in the issuance of fractional Units but for the provisions of Section 5.7(d) and this Section 5.10(d), each fractional Unit shall be rounded to the nearest whole Unit (and a 0.5 Unit shall be rounded to the next higher Unit).

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

5.12 *Creation and Conversion of Class A Special Units*. Pursuant to Section 5.6, the General Partner hereby designates and creates a special class of Units designated "Class A Special Units" and fixes the designations, preferences and relative, participating, optional or other special rights, powers and duties of the holders of the Class A Special Units as follows:

(a) The Class A Special Units shall be divided into four series as set forth below, and each series of Class A Special Units shall be evidenced by a distinct Certificate issued in accordance with Section 4.1. The number of Class A Special Units comprising each series of Class A Special Units shall automatically convert into Common Units on a one-for-one basis on the date set forth opposite such number below (the "Class A Special Units Conversation Dates"):

(i) 2,000,000 Series 2000 Class A Special Units - the first day following the Record Date for distribution in respect of the Quarter ended June 30, 2000;

(ii) 10,000,000 Series 2001 Class A Special Units - the first day following the Record Date for distribution in respect of the Quarter ended June 30, 2001;

(iii) 17,000,000 Series 2002 Class A Special Units plus the first 2,000,000 Series 2002B Class A Special Units, if any, issued pursuant to the second sentence of Section 5.3(d) upon satisfaction of the Performance Tests -- the first day following the Record Date for distribution in respect of the Quarter ended June 30, 2002; and

(iv) other than the Series 2002B Class A Special Units converted pursuant to Section 5.12(a)(iii), the number of Series 2002B Class A Special Units, if any, issued pursuant to the second sentence of Section 5.3(d) upon satisfaction of the Performance Tests - the first day following the Record Date for distribution in respect of the Quarter ended June 30, 2003;

provided, however, that notwithstanding the foregoing, the Class A Special Units will not convert or be convertible into Common Units until after such time as the issuance of such Common Units has been approved by holders of a majority of the Units (not including for this purpose the Class A Special Units) present and entitled to vote at a meeting of Unitholders called to consider and vote upon such issuance.

(b) Except as otherwise provided in this Section 5.12(b), upon conversion pursuant to Section 5.12(a), Class A Special Units to be converted shall cease to remain outstanding and shall have no rights or obligations under this Agreement. Upon a request from the General Partner, Partners holding Class A Special Units converted pursuant to Section 5.12(a) shall surrender the Certificates evidencing such Class A Special Units in exchange for Certificates issued in accordance with Section 4.1.

(c) Except for distributions pursuant to Section 12.4(c) and except as otherwise expressly provided in this Agreement by reference to the Class A Special Units, the Class A Special Units shall have no voting rights, rights to distributions, rights to allocation, rights upon dissolution and liquidation or other rights with respect to the Partnership.

(d) A Class A Special Unit that has converted into a Common Unit shall be subject to the provisions of Section 6.7(b).

ARTICLE VI

ALLOCATIONS AND DISTRIBUTIONS

6.1 *Allocations for Capital Account Purposes*. For purposes of maintaining the Capital Accounts and in determining the rights of the Partners among themselves, the Partnership's items of income, gain, loss and deduction (computed in accordance with Section 5.5(b)) shall be allocated among the Partners in each taxable year (or portion thereof) as provided herein below.

(a) *Net Income*. After giving effect to the special allocations set forth in Section 6.1(d), Net Income for each taxable year and all items of income, gain, loss and deduction taken into account in computing Net Income for such taxable year shall be allocated as follows:

(i) First, 100% to the General Partner in an amount equal to the aggregate Net Losses allocated to the General Partner pursuant to Section 6.1(b)(iii) for all previous taxable years until the aggregate Net Income allocated to the General Partner pursuant to this Section 6.1(a)(i) for the current taxable year and all previous taxable years is equal to the aggregate Net Losses allocated to the General Partner pursuant to Section 6.1(b)(iii) for all previous taxable years;

(ii) Second, 1% to the General Partner in an amount equal to the aggregate Net Losses allocated to the General Partner pursuant to Section 6.1(b)(ii) for all previous taxable years and 99% to Unitholders holding Common Units and Subordinated Units in accordance with their respective Percentage Interests, until the aggregate Net Income allocated to such Partners pursuant to this Section 6.1(a)(ii) for the current taxable year and all previous taxable years is equal to the aggregate Net Losses allocated to such Partners pursuant to Section 6.1(b)(ii) for all previous taxable years; and

(iii) Third, the balance, if any, 100% to the General Partner and Unitholders holding Common Units and Subordinated Units in accordance with their respective Percentage Interests.

(b) *Net Losses*. After giving effect to the special allocations set forth in Section 6.1(d), Net Losses for each taxable period and all items of income, gain, loss and deduction taken into account in computing Net Losses for such taxable period shall be allocated as follows:

(i) First, 1% to the General Partner and 99% to Unitholders holding Common Units and Subordinated Units in accordance with their respective Percentage Interests, until the aggregate Net Losses allocated pursuant to this Section 6.1(b)(i) for the current taxable year and all previous taxable years is equal to the aggregate Net Income allocated to such Partners pursuant to Section 6.1(a)(iii) for all previous taxable years; provided that the Net Losses shall not be allocated pursuant to this Section 6.1(b)(i) to the extent that such allocation would cause any Unitholder to have a deficit balance in its Adjusted Capital Account at the end of such taxable year (or increase any existing deficit balance in its Adjusted Capital Account);

(ii) Second, 1% to the General Partner and 99% to the Unitholders holding Common Units and Subordinated Units in accordance with their respective Percentage Interests; provided, that Net Losses shall not be allocated pursuant to this Section 6.1(b)(ii) to the extent that such allocation would cause any Unitholder to have a deficit balance in its Adjusted Capital Account at the end of such taxable year (or increase any existing deficit balance in its Adjusted Capital Account);

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

(c) *Net Termination Gains and Losses*. After giving effect to the special allocations set forth in Section 6.1(d), all items of income, gain, loss and deduction taken into account in computing Net Termination Gain or Net Termination Loss for such taxable period shall be allocated in the same manner as such Net Termination Gain or Net Termination Loss is allocated hereunder. All allocations under this Section 6.1(c) shall be made after Capital Account balances have been adjusted by all other allocations provided under this Section 6.1 and after all distributions of Available Cash provided under Sections 6.4 and 6.5 have been made; provided, however, that solely for purposes of this Section 6.1(c), Capital Accounts shall not be adjusted for distributions made pursuant to Section 12.4.

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

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

B. Second, if prior to the conversion of the last Outstanding Class A Special Unit, the Per Unit Capital Amount with respect to a Class A Special Unit is higher or lower than the Per Unit Capital Amount with respect to each Common Unit, 99% to the Unitholders holding Common Units and Class A Special Units in the manner and amount necessary to equalize, to the maximum extent possible, the Per Unit Capital Amount with respect to each Common Unit and each Class A Special Unit, and 1% to the General Partner;

C. Third, 99% to all Unitholders holding Common Units, in proportion to their relative Percentage Interests, and 1% to the General Partner until the Capital Account in respect of each Common Unit then Outstanding is equal to the sum of (1) its Unrecovered Capital plus (2) the Minimum Quarterly Distribution for the Quarter during which the Liquidation Date occurs, reduced by any distribution pursuant to Section 6.4(a)(i) or (b)(i) with respect to such Common Unit for such Quarter (the amount determined pursuant to this clause (2) is hereinafter defined as the "Unpaid MQD "), plus (3) any then existing Cumulative Common Unit Arrearage;

D. Fourth, if such Net Termination Gain is recognized (or is deemed to be recognized) prior to the expiration of the Subordination Period, 99% to all Unitholders holding Subordinated Units, in proportion to their relative Percentage Interests, and 1% to the General Partner until the Capital Account in respect of each Subordinated Unit then Outstanding equals the sum of (1) its Unrecovered Capital, determined for the taxable year (or portion thereof) to which this allocation of gain relates, plus (2) the Minimum Quarterly Distribution for the Quarter during which the Liquidation Date occurs, reduced by any distribution pursuant to Section 6.4(a)(iii) with respect to such Subordinated Unit for such Quarter;

E. Fifth, 99% to all Unitholders, in accordance with their relative Percentage Interests, and 1% to the General Partner until the Capital Account in respect of each Common Unit then Outstanding is equal to the sum of (1) its Unrecovered Capital, plus (2) the Unpaid MQD, plus (3) any then existing Cumulative Common Unit Arrearage, plus (4) the excess of (aa) the First Target Distribution less the Minimum Quarterly Distribution for each Quarter of the Partnership's existence over (bb) the cumulative per Unit amount of any distributions of Operating Surplus that was distributed pursuant to Sections 6.4(a)(iv) and 6.4(b)(ii) (the sum of (1) plus (2) plus (3) plus (4) is hereinafter defined as the "First Liquidation Target Amount ");

F. Sixth, 85.8673% to all Unitholders, in accordance with their relative Percentage Interests, and 14.1327% to the General Partner until the Capital Account in respect of each Common Unit then

Outstanding is equal to the sum of (1) the First Liquidation Target Amount, plus (2) the excess of (aa) the Second Target Distribution less the First Target Distribution for each Quarter of the Partnership's existence over (bb) the cumulative per Unit amount of any distributions of Operating Surplus that was distributed pursuant to Sections 6.4(a)(v) and 6.4(b)(iii) (the sum of (1) plus (2) is hereinafter defined as the "Second Liquidation Target Amount ");

G. Seventh, 75.7653% to all Unitholders, in accordance with their relative Percentage Interests, and 24.2347% to the General Partner until the Capital Account in respect of each Common Unit then Outstanding is equal to the sum of (1) the Second Liquidation Target Amount, plus (2) the excess of (aa) the Third Target Distribution less the Second Target Distribution for each Quarter of the Partnership's existence over (bb) the cumulative per Unit amount of any distributions of Operating Surplus that was distributed pursuant to Sections 6.4(a)(vi) and 6.4(b)(iv); and

H. Finally, any remaining amount 50.5102% to all Unitholders, in accordance with their relative Percentage Interests, and 49.4898% to the General Partner.

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

A. First, prior to the conversion of the last Outstanding Subordinated Unit, 99% to the Unitholders holding Subordinated Units, in proportion to their relative Percentage Interests, and 1% to the General Partner until the Capital Account in respect of each Subordinated Unit then Outstanding has been reduced to zero;

B. Second, if, prior to the conversion of the last Outstanding Class A Special Unit, the Per Unit Capital Amount with respect to a Class A Special Unit is higher or lower than the Per Unit Capital Amount with respect to each Common Unit, 99% to the Unitholders holding Common

Units and Class A Special Units in the manner and amount necessary to equalize, to the maximum extent possible, the Per Unit Capital Amount with respect to each Common Unit and each Class A Special Unit, and 1% to the General Partner;

C. Third, 99% to all Unitholders holding Common Units and Class A Special Units and to holders of Capital Account interests described in the last sentence of Section 5.5(c)(ii), in proportion to their relative Capital Account balances and 1% to the General Partner until the Capital Account in respect of each Common Unit and Class A Special Unit then Outstanding has been reduced to zero; and

D. Fourth, the balance, if any, 100% to the General Partner.

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

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

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

(iii) Priority Allocations.

A. If the amount of cash or the Net Agreed Value of any property distributed (except cash or property distributed pursuant to Section 12.4) to any Unitholder with respect to its Units for a taxable year is greater (on a per Unit basis) than the amount of cash or the Net Agreed Value of property distributed to the other Unitholders with respect to their Units (on a per Unit basis), then (1) each Unitholder receiving such greater cash or property distribution shall be allocated gross income in an amount equal to the product of (aa) the amount by which the distribution (on a per Unit basis) to such Unitholder exceeds the distribution (on a per Unit basis) to the Unitholders receiving the smallest distribution and (bb) the number of Units owned by the Unitholder receiving the greater distribution; and (2) the General Partner shall be allocated gross income in an aggregate amount equal to 1/99th of the sum of the amounts allocated in clause (1) above.

B. After the application of Section 6.1(d)(iii)(A), all or any portion of the remaining items of Partnership gross income or gain for the taxable period, if any, shall be allocated

100% to the General Partner, until the aggregate amount of such items allocated to the General Partner pursuant to this paragraph 6.1(d)(iii)(B) for the current taxable year and all previous taxable years is equal to the cumulative amount of all Incentive Distributions made to the General Partner from the Closing Date to a date 45 days after the end of the current taxable year.

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

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

(vi) *Nonrecourse Deductions*. Nonrecourse Deductions for any taxable period shall be allocated to the

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

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

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

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

(x) *Economic Uniformity*. (A) With respect to any taxable period ending upon, or after, a Class A Special Unit Conversion Date, all or a portion of the remaining items of Partnership gross income or gain for such taxable period, after taking into account allocations pursuant to Section 6.1(d)(iii), shall be allocated 100% to the Partner holding Class A Special Units that have been converted to Common Units pursuant to Section 5.12, until such Partner has been allocated an amount of gross income or gain that increases the Capital Account maintained with respect to such converted Class A Special Units to an amount equal to the product of (1) the number of converted Class A Special Units held by such Partner and (2) the Per Unit Capital Amount for a Common Unit. The purpose of this allocation is to establish uniformity between the Capital Accounts underlying converted Class A Special Units and the Capital Accounts underlying Common Units held by Persons other than the General Partner and its Affiliates immediately prior to the conversion of such Class A Special Units into Common Units. This allocation method for establishing such economic uniformity will only be available if the method for allocating the Capital Account maintained with respect to the Class A Special Units between the transferred and retained Class A Special Units pursuant to Section 5.5(c)(ii) does not otherwise provide such economic uniformity to the converted Class A Special Units; (B) at the election of the General Partner with respect to any taxable period ending upon, or after, the termination of the Subordination Period, all or a portion of the remaining items of Partnership gross income or gain for such taxable period, after taking into account allocations pursuant to Sections 6.1(d)(iii) and 6.1(d)(x)(A), shall be allocated 100% to each Partner holding Subordinated Units that are Outstanding as of the termination of the Subordination Period ("Final Subordinated Units ") in the proportion of the number of Final Subordinated Units held by such Partner to the total number of Final Subordinated Units then Outstanding, until each such Partner has been allocated an amount of gross income or gain which increases the Capital Account maintained with respect to such Final Subordinated Units to an amount equal to the product of (1) the number of Final Subordinated Units held by such Partner and (2) the Per Unit Capital Amount for a Common Unit. The purpose of this allocation is to establish uniformity between the Capital Accounts underlying Final Subordinated Units and the Capital Accounts underlying Common Units held by Persons other than the General Partner and its Affiliates immediately prior to the conversion of such Final Subordinated Units into Common Units. This allocation method for establishing such economic uniformity will only be available to the General Partner if the method for allocating the Capital Account maintained with respect to the Subordinated Units between the transferred and retained Subordinated Units pursuant to Section 5.5(c)(ii) does not otherwise provide such economic uniformity to the Final Subordinated Units.

(xi) *Curative Allocation*.

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

B. The General Partner shall have reasonable discretion, with respect to each taxable period, to (1) apply the provisions of Section 6.1(d)(xi)(A) in whatever order is most likely to minimize the economic distortions that might otherwise result from the Required Allocations, and (2) divide all allocations pursuant to Section 6.1(d)(xi)(A) among the Partners in a manner that is likely to minimize such economic distortions.

6.2 *Allocations for Tax Purposes.*

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

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

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

(ii) (A) In the case of an Adjusted Property, such items shall (1) first, be allocated among the Partners in a manner consistent with the principles of Section 704(c) of the Code to take into account the Unrealized Gain or Unrealized Loss attributable to such property and the allocations thereof pursuant to Section 5.5(d)(i) or 5.5(d)(ii), and (2) second, in the event such property was originally a Contributed Property, be allocated among the Partners in a manner consistent with Section 6.2(b)(i)(A); and (B) any item of Residual Gain or Residual Loss attributable to an Adjusted Property shall be allocated among the Partners in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 6.1.

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

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

(d) The General Partner in its discretion may determine to depreciate or amortize the portion of an adjustment under Section 743(b) of the Code attributable to unrealized appreciation in any Adjusted Property (to the extent of the unamortized Book-Tax Disparity) using a predetermined rate derived from the depreciation or amortization method and useful life applied to the Partnership's common basis of such property, despite any inconsistency of such approach with Proposed Treasury Regulation Section 1.168-2(n), Treasury Regulation Section 1.167(c)-l(a)(6) or Proposed Treasury Regulation Section 1.197-2(g)(3). If the General Partner determines that such reporting position cannot reasonably be taken, the General Partner may adopt depreciation and amortization conventions under which all purchasers acquiring Limited Partner Interests in the same month would receive depreciation and amortization deductions, based upon the same applicable rate as if they had purchased a direct interest in the Partnership's property. If the General Partner chooses not to utilize such aggregate method, the General Partner may use any other reasonable depreciation and amortization conventions to preserve the uniformity of the intrinsic tax characteristics of any Limited Partner Interests that would not have material adverse effect on the Limited Partners or the Record Holders of any class or classes of Limited Partner Interests.

(e) Any gain allocated to the Partners upon the sale or other taxable disposition of any Partnership asset shall, to the extent possible, after taking into account other required allocations of gain pursuant to this Section 6.2, be characterized as Recapture Income in the same proportions and to the same extent as such Partners (or their predecessors in interest) have been allocated any deductions directly or indirectly giving rise to the treatment of such gains as Recapture Income.

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

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

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

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

(a) Within 45 days following the end of each Quarter commencing with the Quarter ending on September 30, 1998, an amount equal to 100% of Available Cash with respect to such Quarter shall, subject to Section 17-607 of the Delaware Act, be distributed in accordance with this Article VI by the Partnership to the Partners as of the Record Date selected by the General Partner in its reasonable discretion. All amounts of Available Cash distributed by the Partnership on any date from any source shall be deemed to be Operating Surplus until the sum of all amounts of Available Cash theretofore distributed by the Partnership to the Partners pursuant to Section 6.4 equals the Operating Surplus from the Closing Date through the close of the immediately preceding Quarter. Any remaining amounts of Available Cash distributed by the Partnership on such date shall, except as otherwise provided in Section 6.5, be deemed to be "Capital Surplus." All distributions required to be made under this Agreement shall be made subject to Section 17-607 of the Delaware Act.

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

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

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

6.4 *Distributions of Available Cash from Operating Surplus.*

(a) During Subordination Period. Available Cash with respect to any Quarter within the Subordination Period that is deemed to be Operating Surplus pursuant to the provisions of Section 6.3 or 6.5 shall, subject to Section 17- 607 of the Delaware Act, be distributed as follows, except as otherwise required by Section 5.6(b) in respect of additional Partnership Securities issued pursuant thereto:

(i) First, 99% to the Unitholders holding Common Units, Pro Rata, and 1% to the General Partner until there has been distributed in respect of each Common Unit then Outstanding an amount equal to the Minimum Quarterly Distribution for such Quarter;

(ii) Second, 99% to the Unitholders holding Common Units, Pro Rata, and 1% to the General Partner until there has been distributed in respect of each Common Unit then Outstanding an amount equal to the Cumulative Common Unit Arrearage existing with respect to such Quarter;

(iii) Third, 99% to the Unitholders holding Subordinated Units, Pro Rata, and 1% to the General Partner until there has been distributed in respect of each Subordinated Unit then Outstanding an amount equal to the Minimum Quarterly Distribution for such Quarter;

(iv) Fourth, 99% to all Unitholders holding Common Units and all Unitholders holding Subordinated Units, Pro Rata, and 1% to the General Partner until there has been distributed in respect of each such Unit then Outstanding an amount equal to the excess of the First Target Distribution over the Minimum Quarterly Distribution for such Quarter;

(v) Fifth, 85.8673% to all Unitholders holding Common Units and all Unitholders holding Subordinated Units, Pro Rata, and 14.1327% to the General Partner until there has been distributed in respect of each such Unit then Outstanding an amount equal to the excess of the Second Target Distribution over the First Target Distribution for such Quarter;

(vi) Sixth, 75.7653% to all Unitholders holding Common Units and all Unitholders holding Subordinated Units, Pro Rata, and 24.2347% to the General Partner until there has been distributed in respect of each such Unit then Outstanding an amount equal to the excess of the Third Target Distribution over the Second Target Distribution for such Quarter; and

(vii) Thereafter, 50.5102% to all Unitholders holding Common Units and all Unitholders holding Subordinated Units, Pro Rata, and 49.4898% to the General Partner;

provided, however, if the Minimum Quarterly Distribution, the First Target Distribution, the Second Target Distribution and the Third Target Distribution have been reduced to zero pursuant to the second sentence of Section 6.6(a), the distribution of Available Cash that is deemed to be Operating Surplus with respect to any Quarter will be made solely in accordance with Section 6.4(a)(vii).

(b) After Subordination Period. Available Cash with respect to any Quarter after the Subordination Period that is deemed to be Operating Surplus pursuant to the provisions of Section 6.3 or 6.5, subject to Section 17-607 of the Delaware Act, shall be distributed as follows, except as otherwise required by Section 5.6(b) in respect of additional Partnership Securities issued pursuant thereto:

(i) First, 99% to all Unitholders holding Common Units and all Unitholders holding Subordinated Units, Pro Rata, and 1% to the General Partner until there has been distributed in respect of each such Unit then Outstanding an amount equal to the Minimum Quarterly Distribution for such Quarter;

(ii) Second, 99% to all Unitholders holding Common Units and all Unitholders holding Subordinated Units, Pro

Rata, and 1% to the General Partner until there has been distributed in respect of each such Unit then Outstanding an amount equal to the excess of the First Target Distribution over the Minimum Quarterly Distribution for such Quarter;

(iii) Third, 85.8673% to all Unitholders holding Common Units and all Unitholders holding Subordinated Units, Pro Rata, and 14.1327% to the General Partner until there has been distributed in respect of each such Unit then Outstanding an amount equal to the excess of the Second Target Distribution over the First Target Distribution for such Quarter;

(iv) Fourth, 75.7653% to all Unitholders holding Common Units and all Unitholders holding Subordinated Units, Pro Rata, and 24.2347% to the General Partner until there has been distributed in respect of each such Unit then Outstanding an amount equal to the excess of the Third Target Distribution over the Second Target Distribution for such Quarter; and

(v) Thereafter, 50.5102% to all Unitholders holding Common Units and all Unitholders holding Subordinated Units, Pro Rata, and 49.4898% to the General Partner;

provided, however, if the Minimum Quarterly Distribution, the First Target Distribution, the Second Target Distribution and the Third Target Distribution have been reduced to zero pursuant to the second sentence of Section 6.6(a), the distribution of Available Cash that is deemed to be Operating Surplus with respect to any Quarter will be made solely in accordance with Section 6.4(b)(v).

6.5 *Distributions of Available Cash from Capital Surplus*. Available Cash that is deemed to be Capital Surplus pursuant to the provisions of Section 6.3(a) shall, subject to Section 17-607 of the Delaware Act, be distributed, unless the provisions of Section 6.3 require otherwise, 99% to all Unitholders holding Common Units and all Unitholders holding Subordinated Units, Pro Rata, and 1% to the General Partner until a hypothetical holder of a Common Unit acquired on the Closing Date has received with respect to such Common Unit, during the period since the Closing Date through such date, distributions of Available Cash that are deemed to be Capital Surplus in an aggregate amount equal to the Initial Unit Price. Available Cash that is deemed to be Capital Surplus shall then be distributed 99% to all Unitholders holding Common Units, Pro Rata, and 1% to the General Partner until there has been distributed in respect of each Common Unit then Outstanding an amount equal to the Cumulative Common Unit Arrearage. Thereafter, all Available Cash shall be distributed as if it were Operating Surplus and shall be distributed in accordance with Section 6.4.

6.6 *Adjustment of Minimum Quarterly Distribution and Target Distribution Levels.*

(a) The Minimum Quarterly Distribution, First Target Distribution, Second Target Distribution, Third Target Distribution, Common Unit Arrearages and Cumulative Common Unit Arrearages shall be proportionately adjusted in the event of any distribution, combination or subdivision (whether effected by a distribution payable in Units or otherwise) of Units or other Partnership Securities in accordance with Section 5.10. In the event of a distribution of Available Cash that is deemed to be from Capital Surplus, the then applicable Minimum Quarterly Distribution, First Target Distribution, Second Target Distribution and Third Target Distribution shall be adjusted proportionately downward to equal the product obtained by multiplying the otherwise applicable Minimum Quarterly Distribution, First Target Distribution, Second Target Distribution and Third Target Distribution, as the case may be, by a fraction of which the numerator is the Unrecovered Capital of the Common Units immediately after giving effect to such distribution and of which the denominator is the Unrecovered Capital of the Common Units immediately prior to giving effect to such distribution.

(b) The Minimum Quarterly Distribution, First Target Distribution, Second Target Distribution and Third Target Distribution shall also be subject to adjustment pursuant to Section 6.8.

6.7 *Special Provisions Relating to the Holders of Subordinated Units and Class A Special Units.*

(a) Except with respect to the right to vote on or approve matters requiring the vote or approval of a percentage of the holders of Outstanding Common Units and the right to participate in allocations of income, gain, loss and deduction and distributions made with respect to Common Units, the holder of a Subordinated Unit shall have all of the rights and obligations of a Unitholder holding Common Units hereunder; provided, however, that immediately upon the conversion of Subordinated Units into Common Units pursuant to Section 5.8, the Unitholder holding a Subordinated Unit so converted shall possess all of the rights and obligations of a Unitholder holding Common Units hereunder, including the right to vote as a Common Unitholder and the right to participate in allocations of income, gain, loss and deduction and distributions made with respect to Common Units; provided, however, that such converted Subordinated Units shall remain subject to the provisions of Sections 5.5(c)(ii), 6.1(d)(x) and 6.7(b).

(b) The Unitholder holding a Subordinated Unit or a Class A Special Unit which has converted into a Common Unit pursuant to Section 5.8 or Section 5.12, respectively, shall not be issued a Common Unit Certificate pursuant to Section 4.1, and shall not be permitted to transfer its converted Subordinated Units or Class A Special Units to a Person which is not an Affiliate of the holder until such time as the General Partner determines, based on advice of counsel, that a converted Subordinated Unit or Class A Special Unit should have, as a substantive matter, like intrinsic economic and federal income tax

characteristics, in all material respects, to the intrinsic economic and federal income tax characteristics of an Initial Common Unit. In connection with the condition imposed by this Section 6.7(b), the General Partner may take whatever reasonable steps are required to provide economic uniformity to the converted Subordinated Units or Class A Special Units in preparation for a transfer of such converted Subordinated Units or Class A Special Units, including the application of Sections 5.5(c)(ii) and 6.1(d)(x); provided, however, that no such steps may be taken that would have a material adverse effect on the Unitholders holding Common Units represented by Common Unit Certificates.

(c) Immediately upon the conversion of Class A Special Units into Common Units pursuant to Section 5.12, the Unitholder holding a Class A Special Unit so converted shall possess all of the rights and obligations of a Unitholder holding Common Units hereunder, including the right to vote as a Common Unitholder and the right to participate in allocations of income, gain, loss and deduction and distributions made with respect to Common Units; provided, however, that such converted Class A Special Units shall remain subject to the provisions of Sections 5.5(c)(ii), 6.1(d)(x)(A) and 6.7(b).

6.8 *Entity-Level Taxation*. If legislation is enacted or the interpretation of existing language is modified by the relevant governmental authority which causes the Partnership or the Operating Partnership to be treated as an association taxable as a corporation or otherwise subjects the Partnership or the Operating Partnership to entity-level taxation for federal income tax purposes, the then applicable Minimum Quarterly Distribution, First Target Distribution, Second Target Distribution and Third Target Distribution shall be adjusted to equal the product obtained by multiplying (a) the amount thereof by (b) one minus the sum of (i) the highest marginal federal corporate (or other entity, as applicable) income tax rate of the Partnership or the Operating Partnership for the taxable year of the Partnership or the Operating Partnership in which such Quarter occurs (expressed as a percentage) plus (ii) the effective overall state and local income tax rate (expressed as a percentage) applicable to the Partnership or the Operating Partnership for the calendar year next preceding the calendar year in which such Quarter occurs (after taking into account the benefit of any deduction allowable for federal income tax purposes with respect to the payment of state and local income taxes), but only to the extent of the increase in such rates resulting from such legislation or interpretation. Such effective overall state and local income tax rate shall be determined for the taxable year next preceding the first taxable year during which the Partnership or the Operating Partnership is taxable for federal income tax purposes as an association taxable as a corporation or is otherwise subject to entity-level taxation by determining such rate as if the Partnership or the Operating Partnership had been subject to such state and local taxes during such preceding taxable year.

ARTICLE VII

MANAGEMENT AND OPERATION OF BUSINESS

7.1 *Management.*

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

(i) the making of any expenditures, the lending or borrowing of money, the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness, including indebtedness that is convertible into Partnership Securities, and the incurring of any other obligations;

(ii) the making of tax, regulatory and other filings, or rendering of periodic or other reports to governmental or other agencies having jurisdiction over the business or assets of the Partnership;

(iii) the acquisition, disposition, mortgage, pledge, encumbrance, hypothecation or exchange of any or all of the assets of the Partnership or the merger or other combination of the Partnership with or into another Person (the matters described in this clause (iii) being subject, however, to any prior approval that may be required by Section 7.3);

(iv) the use of the assets of the Partnership (including cash on hand) for any purpose consistent with the terms of this Agreement, including the financing of the conduct of the operations of the Partnership Group; subject to Section 7.6(a), the lending of funds to other Persons (including the Operating Partnership); the repayment of obligations of the Partnership Group; and the making of capital contributions to any member of the Partnership Group;

(v) the negotiation, execution and performance of any contracts, conveyances or other instruments (including instruments that limit the liability of the Partnership under contractual arrangements to all or particular assets of the Partnership, with the other party to the contract to have no recourse against the General Partner or its assets other than its interest in the Partnership, even if same results in the terms of the transaction being less favorable to the Partnership than would otherwise be the case);

(vi) the distribution of Partnership cash;

(vii) the selection and dismissal of employees (including employees having titles such as "president," "vice president," "secretary" and "treasurer ") and agents, outside attorneys, accountants, consultants and contractors and the determination of their compensation and other terms of employment or hiring;

(viii) the maintenance of such insurance for the benefit of the Partnership Group and the Partners as it deems necessary or appropriate;

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

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

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

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

(xiii) unless restricted or prohibited by Section 5.7, the purchase, sale or other acquisition or disposition of Partnership Securities, or the issuance of additional options, rights, warrants and appreciation rights relating to Partnership Securities; and

(xiv) the undertaking of any action in connection with the Partnership's participation in the Operating Partnership as a partner or any other Group Member as a partner or equity owner, as applicable.

(b) Notwithstanding any other provision of this Agreement, the Operating Partnership Agreement, the Delaware Act or any applicable law, rule or regulation, each of the Partners and Assignees and each other Person who may acquire an interest in Partnership Securities hereby (i) approves, ratifies and confirms the execution, delivery and performance by the parties thereto of the Operating Partnership Agreement, the Underwriting Agreement, the EPCO Agreement, and the other agreements described in or filed as a part of the Registration Statement that are related to the transactions contemplated by the Registration Statement; (ii) agrees that the General Partner (on its own or through any officer of the Partnership) is authorized to execute, deliver and perform the agreements referred to in clause (i) of this sentence and the other agreements, acts, transactions and matters described in or contemplated by the Registration Statement on behalf of the Partnership without any further act, approval or vote of the Partners or the Assignees or the other Persons who may acquire an interest in Partnership Securities; and (iii) agrees that the execution, delivery or performance by the General Partner, any Group Member or any Affiliate of any of them, of this Agreement or any agreement authorized or permitted under this Agreement (including the exercise by the General Partner or any Affiliate of the General Partner of the rights accorded pursuant to Article XV), shall not constitute a breach by the General Partner of any duty that the General Partner may owe the Partnership or the Limited Partners or the Assignees or any other Persons under this Agreement (or any other agreements) or of any duty stated or implied by law or equity.

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

7.3 *Restrictions on General Partner's Authority.*

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

(b) Except as provided in Articles XII and XIV, the General Partner may not sell, exchange or otherwise dispose of all or substantially all of the Partnership's assets in a single transaction or a series of related transactions or approve on behalf of the Partnership the sale, exchange or other disposition of all or substantially all of the assets of the Partnership or the Operating Partnership, without the approval of holders of a Unit Majority; provided however that this provision shall not preclude or limit the General Partner's ability to mortgage, pledge, hypothecate or grant a security interest in all or substantially all of the assets of the Partnership or the Operating Partnership and shall not apply to any forced sale of any or all of the assets of the Partnership or the Operating Partnership pursuant to the foreclosure of, or other realization upon, any such encumbrance. Without the approval of holders of a Unit Majority, the General Partner shall not, on behalf of the Partnership, (i) consent to any amendment to the Operating Partnership Agreement or, except as expressly permitted by Section 7.9(d), take any action permitted to be taken by a partner of the Operating Partnership, in either case, that would have a material adverse effect on the Partnership as a partner of the Operating Partnership or (ii) except as permitted under Sections 4.6, 11.1 and 11.2, elect or cause the Partnership to elect a successor general partner of the Partnership or the Operating Partnership.

7.4 *Reimbursement of the General Partner.*

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

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

(c) Subject to Section 5.7, the General Partner, in its sole discretion and without the approval of the Limited Partners (who shall have no right to vote in respect thereof), may propose and adopt on behalf of the Partnership employee benefit and incentive plans, employee programs and employee practices (including plans, programs and practices involving the issuance of Partnership Securities or options to purchase Partnership Securities), or cause the Partnership to issue Partnership Securities in connection with, or pursuant to, any employee benefit plan, employee program or employee practice maintained or sponsored by the General Partner or any of its Affiliates, in each case for the benefit of employees of the General Partner, any Group Member or any Affiliate, or any of them, in respect of services performed, directly or indirectly, for the benefit of the Partnership Group. The Partnership agrees to issue and sell to the General Partner or any of its Affiliates any Partnership Securities that the General Partner or such Affiliate is obligated to provide to any employees pursuant to any such employee benefit plans, employee programs or employee practices. Expenses incurred by the General Partner in connection with any such plans, programs and practices (including the net cost to the General Partner or such Affiliate of Partnership Securities purchased by the General Partner or such Affiliate from the Partnership to fulfill options or awards under such plans, programs and practices) shall be reimbursed in accordance with Section 7.4(b). Any and all obligations of the General Partner under any employee benefit or incentive plans, employee programs or employee practices adopted by the General Partner as permitted by this Section 7.4(c) shall constitute obligations of the General Partner hereunder and shall be assumed by any successor General Partner approved pursuant to Section 11.1 or 11.2 or the transferee of or successor to all of the General Partner's Partnership Interest as the General Partner in the Partnership pursuant to Section 4.6.

7.5 *Outside Activities.*

(a) After the Closing Date, the General Partner, for so long as it is the general partner of the Partnership (i) agrees that its sole business will be to act as the general partner or managing member of the Partnership, the Operating Partnership, and any other partnership or limited liability company of which the Partnership or the Operating Partnership is, directly or indirectly, a partner or managing member and to undertake activities that are ancillary or related thereto (including being a limited partner in the partnership), (ii) shall not engage in any business or activity or incur any debts or liabilities except in connection with or incidental to (A) its performance as general partner or managing member of one or more Group Members or as described in or contemplated by the Registration Statement or (B) the acquiring, owning or disposing of debt or equity securities in any Group Member and (iii) except to the extent permitted by the EPCO Agreement, shall not, and shall cause its Affiliates not to, engage in any Restricted Activity.

(b) EPC has entered into the EPCO Agreement with the Partnership and the Operating Partnership, which agreement sets forth certain restrictions on the ability of EPC and its Affiliates to engage in Restricted Activities.

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

(d) Subject to the terms of the EPCO Agreement and Section 7.5(a), 7.5(b), and 7.5(c) and the EPCO Agreement, but otherwise notwithstanding anything to the contrary in this Agreement, (i) the engaging in competitive activities by any Indemnitees (other than the General Partner) in accordance with the provisions of this Section 7.5 is hereby approved by the Partnership and all Partners, (ii) it shall be deemed not to be a breach of the General Partner's fiduciary duty or any other obligation of any type whatsoever of the General Partner for the Indemnitees (other than the General Partner) to engage in such business interests and activities in preference to or to the exclusion of the Partnership and (iii) the General Partner and the Indemnitees shall have no obligation to present business opportunities to the Partnership.

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

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

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

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

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

(c) The General Partner may itself, or may enter into an agreement, in addition to the EPCO Agreement, with any of its Affiliates to, render services to a Group Member or to the General Partner in the discharge of its duties as general partner of the Partnership. Any services rendered to a Group Member by the General Partner or any of its Affiliates shall be on terms that are fair and reasonable to the Partnership; provided, however, that the requirements of this Section 7.6(c) shall be deemed satisfied as to (i) any transaction approved by Special Approval, (ii) any transaction, the terms of which are no less favorable to the Partnership Group than those generally being provided to or available from unrelated third parties or (iii) any transaction that, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership Group), is equitable to the Partnership Group. The provisions of Section 7.4 shall apply to the rendering of services described in this Section 7.6(c).

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

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

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

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

7.7 *Indemnification.*

(a) To the fullest extent permitted by law but subject to the limitations expressly provided in this Agreement, all Indemnitees shall be indemnified and held harmless by the Partnership from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, in which any Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, by reason of its status as a Person of the type described in clauses (a)-(d) of the definition of the term "Indemnitee "; provided, that in each case the Indemnitee acted in good faith and in a manner that such Indemnitee reasonably believed to be in, or (in the case of a Person other than the General Partner) not opposed to, the best interests of the Partnership and, with respect to any criminal proceeding, had no reasonable cause to believe its conduct was unlawful; provided, further, no indemnification pursuant to this Section 7.7 shall be available to the General Partner with respect to its obligations incurred pursuant to the Underwriting Agreement (other than obligations incurred by the General Partner on behalf of the Partnership or the Operating Partnership). The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that the Indemnitee acted in a manner contrary to that specified above. Any indemnification pursuant to this Section 7.7 shall be made only out of the assets of the Partnership, it being agreed that the General Partner shall not be personally liable for such indemnification and shall have no obligation to contribute or loan any monies or property to the Partnership to enable it to effectuate such indemnification.

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

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

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

(e) For purposes of this Section 7.7, the Partnership shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by it of its duties to the Partnership also imposes duties on, or otherwise involves services by, it to the plan or participants or beneficiaries of the plan; excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall constitute "fines" within the meaning of Section 7.7(a); and action taken or omitted by it with respect to any employee benefit plan in the performance of its duties for a purpose reasonably believed by it to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose which is in, or not opposed to, the best interests of the Partnership.

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

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

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

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

7.8 *Liability of Indemnitees.*

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

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

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

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

7.9 *Resolution of Conflicts of Interest.*

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

(b) Whenever this Agreement or any other agreement contemplated hereby provides that the General Partner or any of its Affiliates is permitted or required to make a decision (i) in its "sole discretion" or "discretion," that it deems "necessary or appropriate" or "necessary or advisable" or under a grant of similar authority or latitude, except as otherwise provided herein, the General Partner or such Affiliate shall be entitled to consider only such interests and factors as it desires and shall have no duty or obligation to give any consideration to any interest of, or factors affecting, the Partnership, the Operating Partnership, any Limited Partner or any Assignee, (ii) it may make such decision in its

sole discretion (regardless of whether there is a reference to "sole discretion" or "discretion ") unless another express standard is provided for, or (iii) in "good faith" or under another express standard, the General Partner or such Affiliate shall act under such express standard and shall not be subject to any other or different standards imposed by this Agreement, the Operating Partnership Agreement, any other agreement contemplated hereby or under the Delaware Act or any other law, rule or regulation. In addition, any actions taken by the General Partner or such Affiliate consistent with the standards of "reasonable discretion" set forth in the definitions of Available Cash or Operating Surplus shall not constitute a breach of any duty of the General Partner to the Partnership or the Limited Partners. The General Partner shall have no duty, express or implied, to sell or otherwise dispose of any asset of the Partnership Group other than in the ordinary course of business. No borrowing by any Group Member or the approval thereof by the General Partner shall be deemed to constitute a breach of any duty of the General Partner to the Partnership or the Limited Partners by reason of the fact that the purpose or effect of such borrowing is directly or indirectly to (A) enable distributions to the General Partner or its Affiliates (including in their capacities as Limited Partners) to exceed 1% of the total amount distributed to all partners or (B) hasten the expiration of the Subordination Period or the conversion of any Subordinated Units into Common Units.

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

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

7.10 *Other Matters Concerning the General Partner.*

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

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

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

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

7.11 *Purchase or Sale of Partnership Securities*. The General Partner may cause the Partnership to purchase or otherwise acquire Partnership Securities; provided that, except as permitted pursuant to Section 4.10, the General Partner may not cause any Group Member to purchase Subordinated Units during the Subordination Period. As long as Partnership Securities are held by any Group Member, such Partnership Securities shall not be considered Outstanding for any purpose, except as otherwise provided herein. The General Partner or any Affiliate of the General Partner may also purchase or otherwise acquire and sell or otherwise dispose of Partnership Securities for its own account, subject to the provisions of Articles IV and X.

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

(a) If (i) the General Partner or any Affiliate of the General Partner (including for purposes of this Section 7.12, any Person that is an Affiliate of the General Partner at the date hereof notwithstanding that it may later cease to be an Affiliate of the General Partner) holds Partnership Securities that it desires to sell and (ii) Rule 144 of the Securities Act (or any successor rule or regulation to Rule 144) or another exemption from registration is not available to enable such holder of Partnership Securities (the "Holder ") to dispose of the number of Partnership Securities it desires to sell at the time it desires to do so without registration under the Securities Act, then upon the request of the General Partner or any of its Affiliates, the Partnership shall file with the Commission as promptly as practicable after receiving such request, and use all reasonable efforts to cause to become effective and remain effective for a period of not less than six months following its effective date or such shorter period as shall terminate when all Partnership Securities covered by such registration statement have been sold, a registration statement under the Securities Act registering the offering and sale of the number of Partnership Securities specified by the Holder; provided, however, that the Partnership shall not be required to effect more than three registrations pursuant to this Section 7.12(a); and provided further, however, that if at the time a request pursuant to this Section 7.12 is submitted to the Partnership, EPC or its Affiliates requesting registration is an Affiliate of the General Partner and the Audit and Conflicts Committee determines in its good faith judgment that a postponement of the requested registration for up to six months would be in the best interests of the Partnership and its Partners due to a pending transaction, investigation or other event, the filing of such registration statement or the effectiveness thereof may be deferred for up to six months, but not thereafter. In connection with any registration pursuant to the immediately preceding sentence, the Partnership shall promptly prepare and file (x) such documents as may be necessary to register or qualify the securities subject to such registration under the securities laws of such states as the Holder shall reasonably request; provided, however, that no such qualification shall be required in any jurisdiction where, as a result thereof, the Partnership would become subject to general service of process or to taxation or qualification to do business as a foreign corporation or partnership doing business in such jurisdiction solely as a result of such registration, and (y) such documents as may be necessary to apply for listing or to list the Partnership Securities subject to such registration on such National Securities Exchange as the Holder shall reasonably request, and do any and all other acts and things that may reasonably be necessary or advisable to enable the Holder to consummate a public sale of such Partnership Securities in such states. Except as set forth in Section 7.12(c), all costs and expenses of any such registration and offering (other than the underwriting discounts and commissions) shall be paid by the Partnership, without reimbursement by the Holder.

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

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

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

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

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

ARTICLE VIII

BOOKS, RECORDS, ACCOUNTING AND REPORTS

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

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

8.3 *Reports.*

(a) As soon as practicable, but in no event later than 120 days after the close of each fiscal year of the Partnership, the General Partner shall cause to be mailed or furnished to each Record Holder of a Unit as of a date selected by the General Partner in its discretion, an annual report containing financial statements of the Partnership for such fiscal year of the Partnership, presented in accordance with U.S. GAAP, including a balance sheet and statements of operations, Partnership equity and cash flows, such statements to be audited by a firm of independent public accountants selected by the General Partner.

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

ARTICLE IX

TAX MATTERS

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

9.2 *Tax Elections.*

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

(b) The Partnership shall elect to deduct expenses incurred in organizing the Partnership ratably over a sixty-month period as provided in Section 709 of the Code.

(c) Except as otherwise provided herein, the General Partner shall determine whether the Partnership should make any other elections permitted by the Code.

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

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

ARTICLE X

ADMISSION OF PARTNERS

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

10.2 *Admission of Substituted Limited Partner*. By transfer of a Limited Partner Interest in accordance with Article IV, the transferor shall be deemed to have given the transferee the right to seek admission as a Substituted Limited Partner subject to the conditions of, and in the manner permitted under, this Agreement. A transferor of a Certificate representing a Limited Partner Interest shall, however, only have the authority to convey to a purchaser or other transferee who does not execute and deliver a Transfer Application (a) the right to negotiate such Certificate to a purchaser or other transferee and (b) the right to transfer the right to request admission as a Substituted Limited Partner to such purchaser or other transferee in respect of the transferred Limited Partner Interests. Each transferee of a Limited Partner Interest (including any nominee holder or an agent acquiring such Limited Partner Interest for the account of another Person) who executes and delivers a Transfer Application shall, by virtue of such execution and delivery, be an Assignee and be deemed to have applied to become a Substituted Limited Partner with respect to the Limited Partner Interests so transferred to such Person. Such Assignee shall become a Substituted Limited Partner (x) at such time as the General Partner consents thereto, which consent may be given or withheld in the General Partner's discretion, and (y) when any such admission is shown on the books and records of the Partnership. If such consent is withheld, such transferee shall be an Assignee. An Assignee shall have an interest in the Partnership equivalent to that of a Limited Partner with respect to allocations and distributions, including liquidating distributions, of the Partnership. With respect to voting rights attributable to Limited Partner Interests that are held by Assignees, the General Partner shall be deemed to be the Limited Partner with respect thereto and shall, in exercising the voting rights in respect of such Limited Partner Interests on any matter, vote such Limited Partner Interests at the written direction of the Assignee who is the Record Holder of such Limited Partner Interests. If no such written direction is received, such Limited Partner Interests will not be voted. An Assignee shall have no other rights of a Limited Partner.

10.3 *Admission of Successor General Partner*. A successor General Partner approved pursuant to Section 11.1 or 11.2 or the transferee of or successor to all of the General Partner's Partnership Interest as general

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

10.4 *Admission of Additional Limited Partners.*

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

(b) Notwithstanding anything to the contrary in this Section 10.4, no Person shall be admitted as an Additional Limited Partner without the consent of the General Partner, which consent may be given or withheld in the General Partner's sole discretion. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded as such in the books and records of the Partnership, following the consent of the General Partner to such admission.

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

ARTICLE XI

WITHDRAWAL OR REMOVAL OF PARTNERS

11.1 *Withdrawal of the General Partner.*

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

(i) the General Partner voluntarily withdraws from the Partnership by giving written notice to the other Partners (and it shall be deemed that the General Partner has withdrawn pursuant to this Section 11.1(a)(i) if the General Partner voluntarily withdraws as general partner of the Operating Partnership);

(ii) the General Partner transfers all of its rights as General Partner pursuant to Section 4.6;

(iii) the General Partner is removed pursuant to Section 11.2;

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

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

(vi) (A) in the event the General Partner is a corporation, a certificate of dissolution or its equivalent is filed for the General Partner, or 90 days expire after the date of notice to the General Partner of revocation of its charter without a reinstatement of its charter, under the laws of its state of incorporation; (B) in the event the General Partner is a partnership or a limited liability company, the dissolution and commencement of winding up of the General Partner; (C) in the event the General Partner is acting in such capacity by virtue of being a trustee of a trust, the termination of the trust; (D) in the event the General Partner is a natural person, his death or adjudication of incompetency; and (E) otherwise in the event of the termination of the General Partner.

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

(b) Withdrawal of the General Partner from the Partnership upon the occurrence of an Event of Withdrawal shall not constitute a breach of this Agreement under the following circumstances: (i) at any time during the period beginning on the Closing Date and ending at 12:00 midnight, Eastern Standard Time, on December 31, 2008, the General Partner voluntarily withdraws by giving at least 90 days' advance notice of its intention to withdraw to the Limited Partners; provided that prior to the effective date of such withdrawal, the withdrawal is approved by Unitholders holding at least a majority of the Outstanding Common Units (excluding Common Units held by the General Partner and its Affiliates) and the General Partner delivers to the Partnership an Opinion of Counsel ("Withdrawal Opinion of Counsel ") that such withdrawal (following the selection of the successor General Partner) would not result in the loss of the limited liability of any Limited Partner or of a member of the Operating Partnership or cause the Partnership or the Operating Partnership to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not previously treated as such); (ii) at any time after 12:00 midnight, Eastern Standard Time, on December 31, 2008, the General Partner voluntarily withdraws by giving at least 90 days' advance notice to the Unitholders, such withdrawal to take effect on the date specified in such notice; (iii) at any time that the General Partner ceases to be the General Partner pursuant to Section 11.1(a)(ii) or is removed pursuant to Section 11.2; or (iv) notwithstanding clause (i) of this sentence, at any time that the General Partner voluntarily withdraws by giving at least 90 days' advance notice of its intention to withdraw to the Limited Partners, such withdrawal to take effect on the date specified in the notice, if at the time such notice is given one Person and its Affiliates (other than the General Partner and its Affiliates) own beneficially or of record or control at least 50% of the Outstanding Units. The withdrawal of the General Partner from the Partnership upon the occurrence of an Event of Withdrawal shall also constitute the withdrawal of the General Partner as general partner or managing member, as the case may be, of the other Group Members. If the General Partner gives a notice of withdrawal pursuant to Section 11.1(a)(i), the holders of a Unit Majority, may, prior to the effective date of such withdrawal, elect a successor General Partner. The Person so elected as successor General Partner shall automatically become the successor general partner or managing member, as the case may be, of the other Group Members of which the General Partner is a general partner or managing member. If, prior to the effective date of the General Partner's withdrawal, a successor is not selected by the Unitholders as provided herein or the Partnership does not receive a Withdrawal Opinion of Counsel, the Partnership shall be dissolved in accordance with Section 12.1. Any successor General Partner elected in accordance with the terms of this Section 11.1 shall be subject to the provisions of Section 10.3.

11.2 *Removal of the General Partner*. The General Partner may be removed if such removal is approved by Unitholders holding at least 66% of the Outstanding Units (including Units held by the General Partner and its Affiliates but excluding Class A Special Units). Any such action by such holders for removal of the General Partner must also provide for the election of a successor General Partner by the Unitholders holding a Unit Majority. Such removal shall be effective immediately following the admission of a successor General Partner pursuant to Section 10.3. The removal of the General Partner shall also automatically constitute the removal of the General Partner as general partner or managing member, as the case may be, of the other Group Members of which the General Partner is a general partner or managing member. If a Person is elected as a successor General Partner in accordance with the terms of this Section 11.2, such Person shall, upon admission pursuant to Section 10.3, automatically become a successor general partner or managing member, as the case may be, of the other Group Members of which the General Partner is a general partner or managing member. The right of the holders of Outstanding Units to remove the General Partner shall not exist or be exercised unless the Partnership has received an opinion opining as to the matters covered by a Withdrawal Opinion of Counsel. Any successor General Partner elected in accordance with the terms of this Section 11.2 shall be subject to the provisions of Section 10.3.

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

(a) In the event of (i) withdrawal of the General Partner under circumstances where such withdrawal does not violate this Agreement or (ii) removal of the General Partner by the holders of Outstanding Units under circumstances where Cause does not exist, if a successor General Partner is elected in accordance with the terms of Section 11.1 or 11.2, the Departing Partner shall have the option exercisable prior to the effective date of the departure of such Departing Partner to require its successor to purchase its Partnership Interest as a general partner in the Partnership and its partnership or member interest as the general partner or managing member in the other Group Members (collectively, the "Combined Interest ") in exchange for an amount in cash equal to the fair market value of such Combined Interest, such amount to be determined and payable as of the effective date of its departure or, if there is not agreement as to the fair market value of such Combined Interest, within ten (10) days after such agreement is reached. If the General Partner is removed by the Unitholders under circumstances where

Cause exists or if the General Partner withdraws under circumstances where such withdrawal violates this Agreement or the Operating Partnership Agreement, and if a successor General Partner is elected in accordance with the terms of Section 11.1 or 11.2, such successor shall have the option, exercisable prior to the effective date of the departure of such Departing Partner, to purchase the Combined Interest for such fair market value of such Combined Interest. In either event, the Departing Partner shall be entitled to receive all reimbursements due such Departing Partner pursuant to Section 7.4, including any employee-related liabilities (including severance liabilities), incurred in connection with the termination of any employees employed by the General Partner for the benefit of the Partnership or the other Group Members.

(b) For purposes of this Section 11.3(a), the fair market value of the Combined Interest shall be determined by agreement between the Departing Partner and its successor or, failing agreement within 30 days after the effective date of such Departing Partner's departure, by an independent investment banking firm or other independent expert selected by the Departing Partner and its successor, which, in turn, may rely on other experts, and the determination of which shall be conclusive as to such matter. If such parties cannot agree upon one independent investment banking firm or other independent expert within 45 days after the effective date of such departure, then the Departing Partner shall designate an independent investment banking firm or other independent expert, the Departing Partner's successor shall designate an independent investment banking firm or other independent expert, and such firms or experts shall mutually select a third independent investment banking firm or independent expert, which third independent investment banking firm or other independent expert shall determine the fair market value of the Combined Interest. In making its determination, such third independent investment banking firm or other independent expert may consider the then current trading price of Units on any National Securities Exchange on which Units are then listed, the value of the Partnership's assets, the rights and obligations of the Departing Partner and other factors it may deem relevant.

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

(d) If a successor General Partner is elected in accordance with the terms of Section 11.1 or 11.2 and the option described in Section 11.3(a) is not exercised by the party entitled to do so, the successor General Partner shall, at the effective date of its admission to the Partnership, contribute to the Partnership cash in the amount equal to 1/99th of the Net Agreed Value of the Partnership's assets on such date. In such event, such successor General Partner shall, subject to the following sentence, be entitled to 1% of all Partnership allocations and distributions. The successor General Partner shall cause this Agreement to be amended to reflect that, from and after the date of such successor General Partner's admission, the successor General Partner's interest in all Partnership distributions and allocations shall be 1%.

11.4 *Termination of Subordination Period, Conversion of Subordinated Units and Extinguishment of Cumulative Common Unit Arrearages*. Notwithstanding any provision of this Agreement, if the General Partner is removed as general partner of the Partnership 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 and (ii) all Cumulative Common Unit Arrearages on the Common Units will be extinguished.

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

ARTICLE XII

DISSOLUTION AND LIQUIDATION

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

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

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

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

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

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

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

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

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

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

12.3 *Liquidator*. Upon dissolution of the Partnership, unless the Partnership is continued under an election to reconstitute and continue the Partnership pursuant to Section 12.2, the General Partner shall select one or more Persons to act as Liquidator. The Liquidator (if other than the General Partner) shall be entitled to receive such compensation for its services as may be approved by holders of at least a majority of the Outstanding Common Units and Subordinated Units voting as a single class. The Liquidator (if other than the General Partner) shall agree not to resign at any time without 15 days' prior notice and may be removed at any time, with or without cause, by notice of removal approved by holders of at least a majority of the Outstanding Common Units and Subordinated Units voting as a single class. Upon dissolution, removal or resignation of the Liquidator, a successor and substitute Liquidator (who shall have and succeed to all rights, powers and duties of the original Liquidator) shall within 30 days thereafter be approved by holders of at least a majority of the Outstanding Common Units and Subordinated Units voting as a single class. The right to approve a successor or

substitute Liquidator in the manner provided herein shall be deemed to refer also to any such successor or substitute Liquidator approved in the manner herein provided. Except as expressly provided in this Article XII, the Liquidator approved in the manner provided herein shall have and may exercise, without further authorization or consent of any of the parties hereto, all of the powers conferred upon the General Partner under the terms of this Agreement (but subject to all of the applicable limitations, contractual and otherwise, upon the exercise of such powers, other than the limitation on sale set forth in Section 7.3(b)) to the extent necessary or desirable in the good faith judgment of the Liquidator to carry out the duties and functions of the Liquidator hereunder for and during such period of time as shall be reasonably required in the good faith judgment of the Liquidator to complete the winding up and liquidation of the Partnership as provided for herein.

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

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

(b) *Discharge of Liabilities*. Liabilities of the Partnership include amounts owed to Partners otherwise than in respect of their distribution rights under Article VI. With respect to any liability that is contingent, conditional or unmatured or is otherwise not yet due and payable, the Liquidator shall either settle such claim for such amount as it thinks appropriate or establish a reserve of cash or other assets to provide for its payment. When paid, any unused portion of the reserve shall be distributed as additional liquidation proceeds.

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

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

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

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

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

ARTICLE XIII

AMENDMENT OF PARTNERSHIP AGREEMENT; MEETINGS; RECORD DATE

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

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

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

(c) a change that, in the sole discretion of the General Partner, is necessary or advisable to qualify or continue the qualification of the Partnership as a limited partnership or a partnership in which the Limited Partners have limited liability under the laws of any state or to ensure that no Group Member will be treated as an association taxable as a corporation or otherwise taxed as an entity for federal income tax purposes;

(d) a change that, in the discretion of the General Partner, (i) does not adversely affect the Limited Partners in any material respect, (ii) is necessary or advisable to (A) satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any federal or state agency or judicial authority or contained in any federal or state statute (including the Delaware Act) or (B) facilitate the trading of the Limited Partner Interests (including the division of any class or classes of Outstanding Limited Partner Interests into different classes to facilitate uniformity of tax consequences within such classes of Limited Partner Interests) or comply with any rule, regulation, guideline or requirement of any National Securities Exchange on which the Limited Partner Interests are or will be listed for trading, compliance with any of which the General Partner determines in its discretion to be in the best interests of the Partnership and the Limited Partners, (iii) is necessary or advisable in connection with action taken by the General Partner pursuant to Section 5.10 or (iv) is required to effect the intent expressed in the Registration Statement or the intent of the provisions of this Agreement or is otherwise contemplated by this Agreement;

(e) a change in the fiscal year or taxable year of the Partnership and any changes that, in the discretion of the General Partner, are necessary or advisable as a result of a change in the fiscal year or taxable year of the Partnership including, if the General Partner shall so determine, a change in the definition of "Quarter" and the dates on which distributions are to be made by the Partnership;

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

(g) subject to the terms of Section 5.7, an amendment that, in the discretion of the General Partner, is necessary or advisable in connection with the authorization of issuance of any class or series of Partnership Securities pursuant to Section 5.6;

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

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

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

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

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

13.2 *Amendment Procedures*. Except as provided in Sections 13.1 and 13.3, all amendments to this Agreement shall be made in accordance with the following requirements. Amendments to this Agreement may be proposed only by or with the consent of the General Partner which consent may be given or withheld in its sole discretion. A proposed amendment shall be effective upon its approval by the holders of a Unit Majority, unless a greater or different percentage is required under this Agreement or by Delaware law. A proposed amendment that adversely alters the powers, obligations or special rights of the Class A Special Units set forth herein shall be effective upon its approval by the holders of a majority of the Class A Special Units. Each proposed amendment that requires the approval of the holders of a specified percentage of Outstanding Units shall be set forth in a writing that contains the text of the proposed amendment. If such an amendment is proposed, the General Partner shall seek the written approval of the requisite percentage of Outstanding Units or call a meeting of the Unitholders to consider and vote on such proposed amendment. The General Partner shall notify all Record Holders upon final adoption of any such proposed amendments.

13.3 *Amendment Requirements.*

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

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

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

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

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

13.4 *Special Meetings*. All acts of Limited Partners to be taken pursuant to this Agreement shall be taken in the manner provided in this Article XIII. Special meetings of the Limited Partners may be called by the General Partner or by Limited Partners owning 20% or more of the Outstanding Limited Partner Interests of the class or classes for which a meeting is proposed. Limited Partners shall call a special meeting by delivering to the General Partner one or more requests in writing stating that the signing Limited Partners wish to call a special meeting and indicating the general or specific purposes for which the special meeting is to be called. Within 60 days after receipt of such a call from Limited Partners or within such greater time as may be reasonably necessary for the Partnership to comply with any statutes, rules, regulations, listing agreements or similar requirements governing the holding of a meeting or the solicitation of proxies for use at such a meeting, the General Partner shall send a notice of the meeting to the Limited Partners either directly or indirectly through the Transfer Agent. A meeting shall be held at a time and place determined by the General Partner on a date not less than 10 days nor more than 60 days after the mailing of notice of the meeting. Limited Partners shall not vote on matters that would cause the Limited Partners to be deemed to be taking part in the management and control of the business and affairs of the Partnership so as to jeopardize the Limited Partners' limited liability under the Delaware Act or the law of any other state in which the Partnership is qualified to do business.

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

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

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

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

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

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

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

13.12 *Voting and Other Rights.*

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

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

ARTICLE XIV

MERGER

14.1 *Authority*. The Partnership may merge or consolidate with one or more corporations, limited liability companies, business trusts or associations, real estate investment trusts, common law trusts or unincorporated businesses, including a general partnership or limited partnership, formed under the laws of the State of Delaware or any other state of the United States of America, pursuant to a written agreement of merger or consolidation ("Merger Agreement ") in accordance with this Article XIV.

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

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

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

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

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

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

(f) The effective time of the merger, which may be the date of the filing of the certificate of merger pursuant to Section 14.4 or a later date specified in or determinable in accordance with the Merger Agreement (provided, that if the effective time of the merger is to be later than the date of the filing of the certificate of merger, the effective time shall be fixed no later than the time of the filing of the certificate of merger and stated therein); and

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

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

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

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

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

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

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

14.5 *Effect of Merger.*

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

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

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

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

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

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

ARTICLE XV

RIGHT TO ACQUIRE LIMITED PARTNER INTERESTS

15.1 *Right to Acquire Limited Partner Interests.*

(a) Notwithstanding any other provision of this Agreement, if at any time not more than 15% of the total Limited Partner Interests of any class then Outstanding is held by Persons other than the General Partner and its Affiliates, the General Partner shall then have the right, which right it may assign and transfer in whole or in part to the Partnership or any Affiliate of the General Partner, exercisable in its sole discretion, to purchase all, but not less than all, of such Limited Partner Interests of such class then Outstanding held by Persons other than the General Partner and its Affiliates, at the greater of (x) the Current Market Price as of the date three days prior to the date that the notice described in Section 15.1(b) is mailed and (y) the highest price paid by the General Partner or any of its Affiliates for any such Limited Partner Interest of such class purchased during the 90-day period preceding the date that the notice described in Section 15.1(b) is mailed. As used in this Agreement, (i) "Current Market Price" as of any date of any class of Limited Partner Interests listed or admitted to trading on any National Securities Exchange means the average of the daily Closing Prices (as hereinafter defined) per limited partner interest of such class for the 20 consecutive Trading Days (as hereinafter defined) immediately prior to such date; (ii) "Closing Price" for any day means the last sale price on such day, regular way, or in case no such sale takes place on such day, the average of the closing bid and asked prices on such day, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted for trading on the principal National Securities Exchange (other than the Nasdaq Stock Market) on which such Limited Partner Interests of such class are listed or admitted to trading or, if such Limited Partner Interests of such class are not listed or admitted to trading on any National Securities Exchange (other than the Nasdaq Stock Market), the last quoted price on such day or, if not so quoted, the average of the high bid and low asked prices on such day in the over-the-counter market, as reported by the Nasdaq Stock Market or such other system then in use, or, if on any such day such Limited Partner Interests of such class are not quoted by any such organization, the average of the closing bid and asked prices on such day as furnished by a professional market maker making a market in such Limited Partner Interests of such class selected by the General Partner, or if on any such day no market maker is making a market in such Limited Partner Interests of such class, the fair value of such Limited Partner Interests on such day as determined reasonably and in good faith by the General Partner; and (iii) "Trading Day" means a day on which the principal National Securities Exchange on which such Limited Partner Interests of any class are listed or admitted to trading is open for the transaction of business or, if Limited Partner Interests of a class are not listed or admitted to trading on any National Securities Exchange, a day on which banking institutions in New York City generally are open.

(b) If the General Partner, any Affiliate of the General Partner or the Partnership elects to exercise the right to purchase Limited Partner Interests granted pursuant to Section 15.1(a), the General Partner shall deliver to the Transfer Agent notice of such election to purchase (the "Notice of Election to Purchase ") and shall cause the Transfer Agent to mail a copy of such Notice of Election to Purchase to the Record Holders of Limited Partner Interests of such class (as of a Record Date selected by the General Partner) at least 10, but not more than 60, days prior to the Purchase Date. Such Notice of Election to Purchase shall also be published for a period of at least three consecutive days in at least two daily newspapers of general circulation printed in the English language and published in the Borough

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

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

ARTICLE XVI

GENERAL PROVISIONS

16.1 *Addresses and Notices*. Any notice, demand, request, report or proxy materials required or permitted to be given or made to a Partner or Assignee under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by first class United States mail or by other means of written communication to the Partner or Assignee at the address described below. Any notice, payment or report to be given or made to a Partner or Assignee hereunder shall be deemed conclusively to have been given or made, and the obligation to give such notice or report or to make such payment shall be deemed conclusively to have been fully satisfied, upon sending of such notice, payment or report to the Record Holder of such Partnership Securities at his address as shown on the records of the Transfer Agent or as otherwise shown on the records of the Partnership, regardless of any claim of any Person who may have an interest in such Partnership Securities by reason of any assignment or otherwise. An affidavit or certificate of making of any notice, payment or report in accordance with the provisions of this Section 16.1 executed by the General Partner, the Transfer Agent or the mailing organization shall be prima facie evidence of the giving or making of such notice, payment or report. If any notice, payment or report addressed to a Record Holder at the address of such Record Holder appearing on the books and records of the Transfer Agent or the Partnership is returned by the United States Post Office marked to indicate that the United States Postal Service is unable to deliver it, such notice, payment or report and any subsequent notices, payments and reports shall be deemed to have been duly given or made without further mailing (until such time as such Record Holder or another Person notifies the Transfer Agent or the Partnership of a change in his address) if they are available for the Partner or Assignee at the principal office of the Partnership for a period of one year from the date of the giving or making of such notice, payment or report to the other Partners and Assignees. Any notice to the Partnership shall be deemed given if received by the General Partner at the principal office of the Partnership designated pursuant to Section 2.3. The General Partner may rely and shall be protected in relying on any notice or other document from a Partner, Assignee or other Person if believed by it to be genuine.

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

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

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

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

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

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

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

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

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

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

Enterprise Products Partners L.P.

(A Delaware Limited Partnership)

By: Enterprise Products GP, LLC
as General Partner

/s/ O. S. Andras

Date: President and Chief Executive Officer

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

By: Enterprise Products GP, LLC

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

By: /s/ O. S. Andras

President and Chief Executive Officer

Attachment I

DEFINED TERMS

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

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

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

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

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

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

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

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

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

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

"*Associate*" means, when used to indicate a relationship with any Person, (a) any corporation or organization of which such Person is a director, officer or partner or is, directly or indirectly, the owner of 20% or more of any class of voting stock or other voting interest; (b) any trust or other estate in which such Person has at least a 20% beneficial interest or as to which such Person serves as trustee or in a similar fiduciary capacity; and (c) any relative or spouse of such Person, or any relative of such spouse, who has the same principal residence as such Person.

"*Audit and Conflicts Committee*" means a committee of the Board of Directors of the General Partner composed entirely of two or more directors who are neither members, officers nor employees of the General Partner nor members, officers, directors or employees of any Affiliate of the General Partner.

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

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

(b) the amount of any cash reserves that is necessary or appropriate in the reasonable discretion of the General Partner to (i) provide for the proper conduct of the business of the Partnership Group (including reserves for future capital expenditures and for anticipated future credit needs of the Partnership Group) subsequent to such Quarter, (ii) comply with applicable law or any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which any Group Member is a party or by which it is bound or its assets are subject or (iii) provide funds for distributions under Section 6.4 or 6.5 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 Partnership is unable to distribute the Minimum Quarterly Distribution on all Common Units with respect to such Quarter; and, provided further, that disbursements made by a Group Member or cash reserves established, increased or reduced after the end of such Quarter, but on or before the date of determination of Available Cash with respect to such Quarter, shall be deemed to have been made, established, increased or reduced, for purposes of determining Available Cash, within such Quarter if the General Partner so determines.

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

"*Book-Tax Disparity*" means with respect to any item of Contributed Property or Adjusted Property, as of the date of any determination, the difference between the Carrying Value of such Contributed Property or Adjusted Property and the adjusted basis thereof for federal income tax purposes as of such date. A Partner's share of the Partnership's Book-Tax Disparities in all of its Contributed Property and Adjusted Property will be reflected by the difference between such Partner's Capital Account balance as maintained pursuant to Section 5.5 and the hypothetical balance of such Partner's Capital Account computed as if it had been maintained strictly in accordance with federal income tax accounting principles.

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

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

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

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

"*Capital Surplus*" has the meaning assigned to such term in Section 6.3(a).

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

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

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

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

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

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

"*Class A Special Units*" means the special class of Units designated and created pursuant to Section 5.12.

"*Class A Special Units Conversion Dates*" has the meaning assigned to such term in Section 5.12.

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

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

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

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

"*Combined Performance Test*" shall be met if, at any time during the Production Period, Gas Production reaches 725 billion cubic feet on a cumulative basis during the Production Period and Tejas provides written notice to the General Partner stating that such production level has been reached during the Production Period and which notice shall include information supporting that statement reasonably acceptable to the General Partner.

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

"*Common Unit*" means a Partnership Security representing a fractional part of the Partnership Interests of all Limited Partners and Assignees and of the General Partner (exclusive of its interest as a holder of a General Partner Interest) and having the rights and obligations specified with respect to Common Units in this Agreement. The term "Common Unit" does not refer to a Subordinated Unit or a Class A Special Unit prior to its conversion into a Common Unit pursuant to the terms hereof.

"*Common Unit Arrearage*" means, with respect to any Common Unit, whenever issued, as to any Quarter within the Subordination Period, the excess, if any, of (a) the Minimum Quarterly Distribution with respect to a Common Unit in respect of such Quarter over (b) the sum of all Available Cash distributed with respect to a Common Unit in respect of such Quarter pursuant to Section 6.4(a)(i).

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

"*Cumulative Common Unit Arrearage*" means, with respect to any Common Unit, whenever issued, and as of the end of any Quarter, the excess, if any, of (a) the sum resulting from adding together the Common Unit Arrearage as to an Initial Common Unit for each of the Quarters within the Subordination Period ending on or before the last day of such Quarter over (b) the sum of any distributions theretofore made pursuant to Section 6.4(a)(ii) and the second sentence of Section 6.5 with respect to an Initial Common Unit (including any distributions to be made in respect of the last of such Quarters).

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

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

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

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

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

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

"*EPC*" means Enterprise Products Company, a Texas Subchapter S corporation.

"*EPC Partners II*" means EPC Partners II, Inc., a Delaware corporation.

"*EPCO Agreement*" means the EPCO Agreement dated the Closing Date among EPCO, the Partnership, the Operating Partnership and the General Partner.

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

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

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

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

"*Final Subordinated Units*" has the meaning assigned to such term in Section 6.1(d)(x).

"First Liquidation Target Amount" has the meaning assigned to such term in Section 6.1(c)(i)(E).

"*First Target Distribution*" means $0.253 per Unit per Quarter (or, with respect to the period commencing on the Closing Date and ending on September 30, 1998, it means the product of $0.253 multiplied by a fraction of which the numerator is the number of days in the period commencing on the Closing Date and ending on September 30, 1998, and of which the denominator is 92), subject to adjustment in accordance with Sections 6.6 and 6.9.

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

"*Gas Production*" means natural gas produced from all Dedicated Leases (as defined in the Shell Processing Agreement (as defined in the Tejas Contribution Agreement)).

"*General Partner*" means Enterprise Products GP, LLC, a Delaware limited liability company, and its successors and permitted assigns as general partner of the Partnership.

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

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

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

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

"*Incentive Distributions*" means any amount of cash distributed to the General Partner pursuant to Sections 6.4(a)(v), 6.4(a)(vi), 6.4(a)(vii), 6.4(b)(iii), 6.4(b)(iv) or 6.4(b)(v) that exceeds that amount equal to 1% of the aggregate amount of cash then being distributed pursuant to such provisions.

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

"*Indemnitee*" means (a) the General Partner, any Departing Partner and any Person who is or was an Affiliate of the General Partner or any Departing Partner, (b) any Person who is or was a member, director, officer, employee, agent or trustee of a Group Member, (c) any Person who is or was an officer, member, partner, director, employee, agent or trustee of the General Partner or any Departing Partner or any Affiliate of the General Partner or any Departing Partner, or any Affiliate of any such Person and (d) any Person who is or was serving at the request of the General Partner or any Departing Partner or any such Affiliate as a director, officer, employee, member, partner, agent, fiduciary or trustee of another Person; provided, that a Person shall not be an Indemnitee by reason of providing, on a fee-for- services basis, trustee, fiduciary or custodial services.

"*Initial Common Units*" means the Common Units sold in the Initial Offering.

"*Initial Limited Partners*" means EPC Partners II, the Underwriters, and Tejas, in each case upon being admitted to the Partnership in accordance with Section 10.1.

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

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

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

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

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

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

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

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

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

"*Minimum Quarterly Distribution*" means $0.225 per Unit per Quarter (or with respect to the period commencing on the Closing Date and ending on September 30, 1998, it means the product of $0.225 multiplied by a fraction of which the numerator is the number of days in the period commencing on the Closing Date and ending on September 30, 1998, and of which the denominator is 92), subject to adjustment in accordance with Sections 6.6 and 6.9.

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

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

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

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

"*Net Termination Gain*" means, for any taxable year, the sum, if positive, of all items of income, gain, loss or deduction recognized by the Partnership after the Liquidation Date. The items included in the determination of Net Termination Gain shall be determined in accordance with Section 5.5(b) and shall not include any items of income, gain or loss specially allocated under Section 6.1(d).

"*Net Termination Loss*" means, for any taxable year, the sum, if negative, of all items of income, gain, loss or deduction recognized by the Partnership after the Liquidation Date. The items included in the determination of Net Termination Loss shall be determined in accordance with Section 5.5(b) and shall not include any items of income, gain or loss specially allocated under Section 6.1(d).

"*Non-citizen Assignee*" means a Person whom the General Partner has determined in its discretion does not constitute an Eligible Citizen and as to whose Partnership Interest the General Partner has become the Substituted Limited Partner, pursuant to Section 4.9.

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

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

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

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

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

(a) Payments (including prepayments) of principal of and premium on indebtedness shall not be an Operating Expenditure if the payment is (i) required in connection with the sale or other disposition of assets or (ii) made in connection with the refinancing or refunding of indebtedness with the proceeds from new indebtedness or from the sale of equity interests. For purposes of the foregoing, at the election and in the reasonable discretion of the General Partner, any payment of principal or premium shall be deemed to be refunded or refinanced by any indebtedness incurred or to be incurred by the Partnership Group within 180 days before or after such payment to the extent of the principal amount of such indebtedness.

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

"*Operating Partnership*" means Enterprise Products Operating L.P., a Delaware limited partnership, and any successors thereto.

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

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

(a) the sum of (i) all cash and cash equivalents of the Partnership Group on hand as of the close of business on the Closing Date (other than the Existing Capital Commitment Amount), (ii) all cash receipts of the

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

(b) the sum of (i) Operating Expenditures for the period beginning on the Closing Date and ending with the last day of such period and (ii) the amount of cash reserves that is necessary or advisable in the reasonable discretion of the General Partner to provide funds for future Operating Expenditures, provided, however, that disbursements made (including contributions to a Group Member or disbursements on behalf of a Group Member) or cash reserves established, increased or reduced after the end of such period but on or before the date of determination of Operating Surplus with respect to such period shall be deemed to have been made, established, increased or reduced, for purposes of determining Operating Surplus, within such period if the General Partner so determines.

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

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

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

"*Outstanding*" means, with respect to Partnership Securities, all Partnership Securities that are issued by the Partnership and reflected as outstanding on the Partnership's books and records as of the date of determination; provided, however, that, with respect to Partnership Securities other than Class A Special Units, if at any time any Person or Group (other than the General Partner or its Affiliates) beneficially owns 20% or more of any Outstanding Partnership Securities of any class then Outstanding, all Partnership Securities owned by such Person or Group shall not be voted on any matter and shall not be considered to be Outstanding when sending notices of a meeting of Limited Partners to vote on any matter (unless otherwise required by law), calculating required votes, determining the presence of a quorum or for other similar purposes under this Agreement, except that Common Units so owned shall be considered to be Outstanding for purposes of Section 11.1(b)(iv) (such Common Units shall not, however, be treated as a separate class of Partnership Securities for purposes of this Agreement).

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

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

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

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

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

"*Partners*" means the General Partner, the Limited Partners and the holders of Common Units and Subordinated Units.

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

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

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

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

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

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

"*Percentage Interest*" means as of the date of such determination (a) with respect to Sections 6.1(a) and (b), (i) as to the General Partner, 1.0%, and (ii) as to any Unitholder or Assignee holding Common Units or Subordinated Units, the product obtained by multiplying (A) 99% by (B) the quotient obtained by dividing (x) the number of Common Units and Subordinated Units held by such Unitholder or Assignee by (y) the total number of all Outstanding Common Units and Outstanding Subordinated Units, and (b) with respect to Sections other than Sections 6.1(a) and (b), (i) as to the General Partner, 1.0%, and (ii) as to any Unitholder or Assignee holding Units, the quotient obtained by multiplying (A) 99% by (B) the quotient obtained by dividing (x) the number of Units held by such Unitholder or Assignee by (y) the total number of all Outstanding Units.

"*Performance Tests*" means the Year 2000 Performance Test, the Year 2001 Performance Test and the Combined Performance Test.

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

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

"*Production Period*" means calendar years 2000 and 2001, as such periods may be extended as a result of Force Majeure Events in accordance with the Year 2000 Performance Test and the Year 2001 Performance Test.

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

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

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

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

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

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

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

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

"*Residual Gain*" or "*Residual Loss*" means any item of gain or loss, as the case may be, of the Partnership recognized for federal income tax purposes resulting from a sale, exchange or other disposition of a Contributed Property or Adjusted Property, to the extent such item of gain or loss is not allocated pursuant to Section 6.2(b)(i)(A) or 6.2(b)(ii)(A), respectively, to eliminate Book-Tax Disparities.

"*Restricted Activities*" means the conduct within North America of the types of businesses and activities engaged in by EPC and its Affiliates as of May 31, 1998; provided, however, that such term shall not include any business or activities associated with the assets, properties or businesses of EPC and its Affiliates as of June 2, 1998 (other than the Sorrento Pipeline System). As used in this defined term, the Partnership Group and any Subsidiary of a Group Member shall not be considered to be "Affiliates" of EPC.

"*Second Liquidation Target Amount*" has the meaning assigned to such term in Section 6.1(c)(i)(F).

"*Second Target Distribution*" means $0.3085 per Unit per Quarter (or, with respect to the period commencing on the Closing Date and ending on September 30, 1998, it means the product of $0.3085 multiplied by a fraction of which the numerator is equal to the number of days in the period commencing on the Closing Date and ending on September 30, 1998, and of which the denominator is 92), subject to adjustment in accordance with Sections 6.6 and 6.9.

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

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

"*Special Approval*" means approval by a majority of the members of the Audit and Conflicts Committee.

"*Subordinated Unit*" means 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 Subordinated Units in this Agreement. The term "Subordinated Unit" as used herein does not include a Common Unit.

"*Subordination Period*" means the period commencing on the Closing Date and ending on the first to occur of the following dates:

(a) the first day of any Quarter beginning after June 30, 2003, in respect of which (i) (A) distributions of Available Cash from Operating Surplus on each of the Outstanding Common Units and 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 Outstanding Common Units and Subordinated Units during such periods and (B) 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 Partnership in respect of incentive compensation), plus the related distribution on the general partner Interest in the Partnership and on the general partner interest in the Operating Partnership and (ii) there are no Cumulative Common Unit Arrearages; and

(b) the date on which the General Partner is removed as general partner of the Partnership 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.

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

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

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

"*Tejas*" means Tejas Energy, LLC, a Delaware limited liability company.

"*Tejas Contribution Agreement*" means the Contribution Agreement among Tejas, Tejas Midstream Enterprises, LLC, the Partnership, the Operating Partnership, EPC, the General Partner and EPC Partners II, dated September 17, 1999.

"*Third Target Distribution*" means $0.392 per Unit per Quarter (or, with respect to the period commencing on the Closing Date and ending on September 30, 1998, it means the product of $0.392 multiplied by a fraction of which the numerator is equal to the number of days in the period commencing on the Closing Date and ending on September 30, 1998, and of which the denominator is 92), subject to adjustment in accordance with Sections 6.6 and 6.9.

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

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

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

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

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

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

"*Unit*" means a Partnership Security that is designated as a "Unit" and shall include Common Units, Subordinated Units, and Class A Special Units but shall not include a General Partner Interest; provided, that each Common Unit at any time Outstanding shall represent the same fractional part of the Partnership Interests of all Limited Partners holding Common Units as each other Common Unit, each Subordinated Unit at any time Outstanding shall represent the same fractional part of the Partnership Interests of all Limited Partners holding Subordinated Units as each other Subordinated Units, and each Class A Special Unit at any time Outstanding shall represent the same fractional part of the Partnership Interests of all Limited Partners holding Class A Special Units as each other Class A Special Unit.

"*Unitholders*" means the holders of Common Units, Subordinated Units, and Class A Special Units.

"*Unit Majority*" means, (i) during the Subordination Period, at least a majority of the Outstanding Common Units, excluding any Common Units held by the General Partner and its Affiliates, and (ii) following the end of the Subordination Period, at least a majority of the Outstanding Common Units.

"*Unpaid MQD*" has the meaning assigned to such term in Section 6.1(c)(i)(C).

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

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

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

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

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

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

"*Year 2000 Performance Test*" shall be met if, at any point in time during calendar year 2000, as such period shall be extended for a period of days equal to the number of days during calendar year 2000 when there is a Force Majeure Event, Gas Production meets either of the following contingencies, and Tejas provides written notice to the General Partner stating that such contingency has been met and which notice includes information supporting that statement reasonably acceptable to the General Partner. The two contingencies are:

1. Gas Production being 950 million cubic feet per day for 180 days (there being no requirement for such days to be consecutive) during calendar year 2000 as such period may be extended due to Force Majeure Events; or

2. Gas Production being 375 billion cubic feet on a cumulative basis during calendar year 2000 as such period may be extended due to Force Majeure Events.

"*Year 2001 Performance Test*" shall be met if, at any point in time during calendar year 2001, as such period shall be extended for a period of days equal to the number of days during calendar year 2001 when there is a Force Majeure Event, Gas Production meets either of the following contingencies, and Tejas provides written notice to the General Partner stating that such contingency has been met and which notice includes information supporting that statement reasonably acceptable to the General Partner. The two contingencies are:

1. Gas production being 900 million cubic feet per day for 180 days (there being no requirement for such days to be consecutive) during calendar year 2001 as such period may be extended due to Force Majeure Events; or

2. Gas Production being 350 billion cubic feet on a cumulative basis during calendar year 2001 as such period may be extended due to Force Majeure Events.

AMENDMENT NO. 1
TO
THIRD AMENDED AND RESTATED
AGREEMENT OF LIMITED PARTNERSHIP
OF
ENTERPRISE PRODUCTS PARTNERS L.P.

This Amendment No. 1, dated as of August 7, 2002 (this "Amendment"), to the Third Amended and Restated Agreement of Limited Partnership of Enterprise Products Partners L.P., dated as of May 15, 2002 (the "Partnership Agreement"), is entered into by and among Enterprise Products GP, LLC, a Delaware limited liability company, as the General Partner, and the Limited Partners as provided herein. Each capitalized term used but not otherwise defined herein shall have the meaning assigned to such term in the Partnership Agreement.

W I T N E S S E T H:

WHEREAS, on September 1, 2001, the Board of Directors and Executive Committee of the General Partner resolved that all Common Units purchased by the Partnership under the Common Unit Repurchase Plan approved by the General Partner on July 5, 2000, would not be retired or cancelled but would be held by the Partnership as treasury units, and authorized certain officers of the General Partner to perform all acts and execute all documents as they deemed necessary or advisable to implement such action; and

WHEREAS, the officers of the General Partner have determined that it is advisable to amend the Partnership Agreement to specifically provide that Common Units reacquired by the Partnership shall be held as treasury units unless cancelled pursuant to action by the General Partner; and

WHEREAS, on August 7, 2002, the Board of Directors and the Executive Committee of the General Partner approved this Amendment;

NOW, THEREFORE, in consideration of the premises, the parties hereto agree as follows:

1. The first sentence of Section 7.11 of the Partnership Agreement is hereby amended to read in its entirety as follows:

> "The General Partner may cause the Partnership to purchase or otherwise acquire Partnership Securities, such Partnership Securities shall be held by the Partnership as treasury securities unless they are expressly cancelled by action of an appropriate officer of the General Partner; provided that, except as permitted pursuant to Section 4.9, the General Partner may not cause any Group Member to purchase Subordinated Units during the Subordination Period."

2. This Amendment shall be deemed effective with respect to all Common Units purchased by the Partnership after the action taken by the General Partner on September 1, 2001, referred to above.

3. As amended hereby, the Partnership Agreement is in all respects ratified, confirmed and approved and shall remain in full force and effect.

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

GENERAL PARTNER:

ENTERPRISE PRODUCTS GP, LLC

By: /s/ Richard H. Bachmann
Richard H. Bachmann
Executive Vice President

LIMITED PARTNERS:

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

By: Enterprise Products GP, LLC
General Partner, as attorney-in-fact for the Limited Partners pursuant to the Powers of Attorney granted pursuant to Section 2.6

By: /s/ Richard H. Bachmann
Richard H. Bachmann
Executive Vice President

EXHIBIT 12.1

Computation of Ratio of Earnings to Fixed Charges
for the six months ended June 30, 2002 and each of the five years ended
December 31, 2001, 2000, 1999, 1998 and 1997 for Enterprise Products Partners L.P.
(dollars in millions)

	Six Months Ended June 30	For the Year Ended December 31,				
	2002	2001	2000	1999	1998	1997
Income (loss) before minority interest and equity investments	$(11.1)	$219.3	$198.6	$108.0	$(5.5)	$37.0
Add:						
Fixed charges	42.2	60.3	43.7	23.5	21.5	37.6
Amortization of capitalized interest	0.1	0.2	0.2	0.1	0.1	0.1
Distributed income of equity investees	29.1	45.1	37.3	6.0	9.1	7.3
Less:						
Capitalized interest	(0.7)	(2.9)	(3.3)	(0.2)	(0.2)	(2.0)
Minority interest	(0.0)	(2.5)	(2.3)	(1.2)	(0.1)	(0.5)
Total Earnings	$59.6	$319.5	$274.2	$136.2	$24.9	$79.5
Fixed charges:						
Interest expense	37.5	49.6	33.3	16.4	15.1	25.7
Capitalized interest	0.7	2.9	3.3	0.2	0.2	2.0
Interest portion of rental expense	4.0	7.8	7.1	6.9	6.2	9.9
Total	$42.2	$60.3	$43.7	$23.5	$21.5	$37.6
Ratio of Earnings to Fixed charges	1.41x	5.30x	6.27x	5.80x	1.16x	2.11x

These computations take into account our consolidated operations and the distributed income from our equity method investees. For purposes of these calculations, "earnings" is the amount resulting from adding and subtracting the following items.

Add the following, as applicable: consolidated pre-tax income before minority interest and income or loss from equity investees; fixed charges; amortization of capitalized interest; distributed income of equity investees; and our share of pre-tax losses of equity investees for which charges arising from guarantees are included in fixed charges.

From the total of the added items, subtract the following, as applicable: interest capitalized; preference security dividend requirements of consolidated subsidiaries; and minority interest in pre-tax income of subsidiaries that have not incurred fixed charges.

The term "fixed charges" means the sum of the following: interest expensed and capitalized; amortized premiums, discounts and capitalized expenses related to indebtedness; an estimate of interest within rental expenses (equal to one-third of rental expense); and preference security dividend requirements of consolidated subsidiaries.

EXHIBIT 12.2

Computation of Ratio of Earnings to Fixed Charges
for the six months ended June 30, 2002 and each of the five years ended
December 31, 2001, 2000, 1999, 1998 and 1997 for Enterprise Products Operating L.P.
(dollars in millions)

	Six Months Ended June 30,	For the Year Ended December 31,				
	2002	2001	2000	1999	1998	1997
Income (loss) before minority interest and equity investments	$(10.9)	$219.5	$199.1	$108.4	$ (5.5)	$37.0
Add:						
Fixed charges	42.2	60.3	43.7	23.5	21.5	37.6
Amortization of capitalized interest	0.1	0.2	0.2	0.1	0.1	0.1
Distributed income of equity investees	29.1	45.1	37.3	6.0	9.1	7.3
Less:						
Capitalized interest	(0.7)	(2.9)	(3.3)	(0.2)	(0.2)	(2.0)
Minority interest	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Total Earnings	$59.7	$322.1	$276.9	$137.7	$24.9	$79.9
Fixed charges:						
Interest expense	37.5	49.6	33.3	16.4	15.1	25.7
Capitalized interest	0.7	2.9	3.3	0.2	0.2	2.0

Interest portion of rental expense	4.0	7.8	7.1	6.9	6.2	9.9
Total	$42.2	$60.3	$43.7	$23.5	$21.5	$37.6
Ratio of Earnings to Fixed charges	1.42x	5.34x	6.34x	5.86x	1.16x	2.13x

These computations take into account our consolidated operations and the distributed income from our equity method investees. For purposes of these calculations, "earnings" is the amount resulting from adding and subtracting the following items.

Add the following, as applicable: consolidated pre-tax income before minority interest and income or loss from equity investees; fixed charges; amortization of capitalized interest; distributed income of equity investees; and our share of pre-tax losses of equity investees for which charges arising from guarantees are included in fixed charges.

From the total of the added items, subtract the following, as applicable: interest capitalized; preference security dividend requirements of consolidated subsidiaries; and minority interest in pre-tax income of subsidiaries that have not incurred fixed charges.

The term "fixed charges" means the sum of the following: interest expensed and capitalized; amortized premiums, discounts and capitalized expenses related to indebtedness; an estimate of interest within rental expenses (equal to one-third of rental expense); and preference security dividend requirements of consolidated subsidiaries.