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

FORM 10-K

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

For the Fiscal Year ended December 31, 2002

Commission File Number 1-10403

TEPPCO Partners, L.P.

(Exact name of Registrant as specified in its charter)

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

2929 Allen Parkway
P.O. Box 2521
Houston, Texas 77252-2521
(Address of principal executive offices, including zip code)

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

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

Title of each class	Name of each exchange on which registered
Limited Partner Units representing Limited Partner Interests	New York Stock Exchange

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

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes x Noo

At June 30, 2002, the aggregate market value of the registrant's Limited Partner Units held by non-affiliates was $1,355,892,023, which was computed using the average of the high and low sales prices of the Limited Partner Units on June 30, 2002.

Limited Partner Units outstanding as of March 14, 2003: 53,812,697.

Documents Incorporated by Reference: **None**

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Items 1 and 2. ***Business and Properties***

General

TEPPCO Partners, L.P. (the “Partnership”), a Delaware limited partnership, is a master limited partnership formed in March 1990. We operate through TE Products Pipeline Company, Limited Partnership (“TE Products”), TCTM, L.P. (“TCTM”) and TEPPCO Midstream Companies, L.P. (“TEPPCO Midstream”). Collectively, TE Products, TCTM and TEPPCO Midstream are referred to as the “Operating Partnerships.” Texas Eastern Products Pipeline Company, LLC (the “Company” or “General Partner”), a Delaware limited liability company, serves as our general partner and owns a 2% general partner interest in us. The General Partner is a wholly owned subsidiary of Duke Energy Field Services, LLC (“DEFS”), a joint venture between Duke Energy Corporation (“Duke Energy”) and ConocoPhillips. Duke Energy holds an approximate 70% interest in DEFS, and ConocoPhillips holds the remaining 30%. The Company, as general partner, performs all management and operating functions required for us, except for the management and operations of certain of the TEPPCO Midstream assets that are managed by DEFS on our behalf. We reimburse the General Partner for all reasonable direct and indirect expenses incurred in managing us. TEPPCO GP, Inc. (“TEPPCO GP”), our subsidiary, is the general partner of our Operating Partnerships. We hold a 99.999% limited partner interest in the Operating Partnerships and TEPPCO GP holds a 0.001% general partner interest.

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

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

Effective January 1, 2002, we realigned our three business segments to reflect our entry into the natural gas gathering business and the expanded scope of NGLs operations. We transferred the fractionation of NGLs, which was previously reflected as part of the Downstream Segment, to the Midstream Segment. The operation of NGL pipelines, which was previously reflected as part of the Upstream Segment, was also transferred to the Midstream Segment. We have adjusted our period-to-period comparisons to conform with the current presentation.

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

At December 31, 2002 and 2001, we had outstanding 53,809,597 and 40,450,000 Limited Partner Units and 3,916,547 and 3,916,547 Class B Limited Partner Units (“Class B Units”), respectively. All of the Class B Units were issued to Duke Energy in connection with an acquisition of assets initially acquired in the Upstream Segment in 1998. The Class B Units share in income and distributions on the same basis as the Limited Partner Units, but they are not listed on the New York Stock Exchange. The Class B Units may be converted into Limited Partner Units upon approval by the unitholders. We have the option to seek approval for the conversion of the Class B Units into Limited Partner Units; however, if the conversion is denied, Duke Energy, as holder of the Class B Units, will have the right to sell them to us at 95.5% of the 20-day average market closing price of the Limited Partner Units, as determined under our Partnership Agreement. As a result of this option, we have not included the Class B Units in partners’ capital at December 31, 2002 and 2001. Collectively, the Limited Partner Units and Class B Units are referred to as “Units.”

Our strategy is to expand and improve service in our current markets, maintain the integrity of our pipeline systems and pursue growth initiatives that are balanced between internal projects and acquisitions. We intend to leverage the advantages inherent in our pipeline systems to maintain our status as a preferred provider in our

market areas. We also intend to grow by acquiring assets, from both third parties and affiliates, which complement existing businesses or to establish new core businesses. We routinely evaluate opportunities to acquire assets and businesses that will complement existing operations with a view to increasing earnings and cash available for distribution to our unitholders. We may fund additional acquisitions with cash flow from operations, borrowings under existing credit facilities, the issuance of debt in the capital markets, the sale of additional Units, or any combination thereof.

Downstream Segment – Transportation and Storage of Refined Products, LPGs and Petrochemicals

Operations

We conduct business in our Downstream Segment through TE Products. TE Products owns and operates properties located in 13 states. These operations consist of interstate transportation, storage and terminaling of petroleum products; short-haul shuttle transportation of LPGs at the Mont Belvieu, Texas complex; intrastate transportation of petrochemicals and other ancillary services.

As an interstate common carrier, our TE Products pipeline offers interstate transportation services, pursuant to tariffs filed with the FERC, to any shipper of refined petroleum products and LPGs who requests such services, provided that the products tendered for transportation satisfy the conditions and specifications contained in the applicable tariff. In addition to the revenues received by our pipeline system from our interstate tariffs, we also receive revenues from the shuttling of LPGs between refinery and petrochemical facilities on the upper Texas Gulf Coast and ancillary transportation, storage and marketing services at key points along the pipeline system. Substantially all of the petroleum products transported and stored in the pipeline system are owned by TE Products’ customers. Petroleum products are received at terminals located principally on the southern end of the pipeline system, stored, scheduled into the pipeline in accordance with customer nominations and shipped to delivery terminals for ultimate delivery to the final distributor (including gas stations and retail propane distribution centers) or to other pipelines. Pipelines are generally the lowest cost method for intermediate and long-haul overland transportation of petroleum products. The TE Products pipeline system is the only pipeline that transports LPGs from the upper Texas Gulf Coast to the Northeast.

Our Downstream Segment depends in large part on the level of demand for refined petroleum products and LPGs in the geographic locations that we serve and the ability and willingness of customers having access to the pipeline system to supply such demand. We cannot predict the impact of future fuel conservation measures, alternate fuel requirements, governmental regulation or technological advances in fuel economy and energy-generation devices, all of which could reduce the demand for refined petroleum products and LPGs in the areas we serve.

The following table lists the material properties and investments of and ownership percentages in the Downstream Segment assets as of December 31, 2002:

	Partnership Ownership
Refined products and LPGs pipelines	100%
Mont Belvieu LPGs storage and pipeline shuttle (1)	100%
Mont Belvieu to Port Arthur, Texas, petrochemical pipelines	100%
Centennial Pipeline (2)	33.3%

(1) Effective January 1, 2003, TE Products will be contributing its Mont Belvieu assets to a newly formed partnership with Louis Dreyfus Energy Services, L.P. TE Products will have a 50% ownership interest in this partnership, which will be accounted for as an equity investment.

(2) Accounted for as an equity investment. Effective February 10, 2003, TE Products acquired an additional 16.7% interest in Centennial Pipeline, bringing its ownership percentage to 50%.

Centennial Pipeline Equity Investment

In August 2000, TE Products entered into agreements with Panhandle Eastern Pipeline Company (“PEPL”), a subsidiary of CMS Energy Corporation, and Marathon Ashland Petroleum LLC (“Marathon”) to form Centennial Pipeline LLC (“Centennial”). Centennial owns an interstate refined petroleum products pipeline extending from the upper Texas Gulf Coast to Illinois. Centennial commenced operations in April 2002. Each participant originally owned a one-third interest in Centennial. Centennial constructed a 74-mile, 24-inch diameter pipeline connecting TE Products’ facility in Beaumont with an existing 720-mile, 26-inch diameter pipeline extending from Longville, Louisiana, to Bourbon, Illinois. The Centennial pipeline intersects TE Products’ existing mainline pipeline near Creal Springs, Illinois, where Centennial constructed a new two million barrel refined petroleum products storage terminal. Marathon operates the mainline Centennial pipeline and TE Products operates the Beaumont origination point and the Creal Springs terminal.

TE Products’ interest in Centennial is not subject to any encumbrances from mortgages or other secured debt. Centennial has unsecured debt, one third of which, up to $50.0 million in principal, was originally guaranteed by each owner, including TE Products. During the third quarter of 2002, PEPL, one of the participants in Centennial, was downgraded by Moody’s and Standard & Poors to below investment grade, which resulted in PEPL being in default under its portion of the Centennial guaranty. Effective September 27, 2002, TE Products and Marathon increased their guaranteed amounts to one-half of the debt of Centennial, up to a maximum amount of $75.0 million each, to avoid a default on the Centennial debt. As compensation to TE Products and Marathon for providing their additional guarantees, PEPL was required to pay interest at a rate of 4% per annum to each of TE Products and Marathon on the portion of the additional guaranty that each had provided for PEPL. On February 10, 2003, TE Products and Marathon each acquired an additional interest in Centennial from PEPL for $20.0 million each, increasing their percentage ownerships in Centennial to 50% each. In connection with the acquisition of the additional interest in Centennial, the guaranty agreement between TE Products, Marathon and PEPL was terminated. TE Products’ guaranty of up to a maximum of $75.0 million of Centennial’s debt remains in effect.

Through December 31, 2002, TE Products has contributed approximately $80.9 million for its one-third interest in Centennial. Excluding TE Products’ purchase of its additional ownership interest of 16.7% on February 10, 2003, we expect to contribute an additional $10.0 million to Centennial in 2003.

Refined Products, LPGs and Petrochemical Pipeline Systems

TE Products is one of the largest pipeline common carriers of refined petroleum products and LPGs in the United States. TE Products owns and operates an approximate 4,500-mile pipeline system (together with the receiving, storage and terminaling facilities mentioned below, the “Products Pipeline System”) extending from southeast Texas through the central and midwestern United States to the northeastern United States. The Products Pipeline System includes delivery terminals for outloading product to other pipelines, tank trucks, rail cars or barges, as well as substantial storage capacity at Mont Belvieu, the largest LPGs storage complex in the United States, and at other locations. TE Products also owns two marine receiving terminals, one near Beaumont and the other at Providence, Rhode Island. The Providence terminal is not physically connected to the Products Pipeline System. The Products Pipeline System also includes three parallel 12-inch diameter petrochemical pipelines between Mont Belvieu and Port Arthur, each approximately 70 miles in length.

All properties comprising the Products Pipeline System are wholly owned by our subsidiaries and none are mortgaged or encumbered to secure funded debt. TE Products has guaranteed up to $75.0 million of Centennial’s unsecured debt (see above) and has also guaranteed our unsecured debt (see Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition and Liquidity).

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

The Products Pipeline System includes 29 storage facilities with an aggregate storage capacity of 17 million barrels of refined petroleum products and 37 million barrels of LPGs, including storage capacity leased to outside parties. The Products Pipeline System makes deliveries to customers at 53 locations including 18 company owned truck racks, rail car facilities and marine facilities. Deliveries to other pipelines occur at various facilities owned by TE Products or by third parties.

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

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

In November 2002, we announced a project to expand our delivery capacity of LPGs. The expansion will increase delivery capability to the Northeast during the peak winter months by approximately one million barrels. The expansion, which is scheduled for completion during the third quarter of 2003, consists of the construction of three new pump stations located between Middletown, Ohio, and Greenburg, Pennsylvania. In addition to the Northeast expansion, we completed our Princeton, Indiana, LPGs truck rack upgrade in December 2002, and we will add an additional 3.2 million barrels of brine storage capability at Mont Belvieu by the summer of 2003.

TE Products also owns three 12-inch diameter common carrier petrochemical pipelines between Mont Belvieu and Port Arthur, which were completed in the fourth quarter of 2000. Each of these pipelines is approximately 70 miles in length. The pipelines transport ethylene, propylene and natural gasoline. We entered into a 20-year agreement with a major petrochemical producer for guaranteed throughput commitments. During the years ended December 31, 2002 and 2001, and the two month period ended December 31, 2000, we recognized $11.9 million, $10.7 million and $1.8 million, respectively, of revenue under the throughput and deficiency contract. We began transporting product through these pipelines in September 2001.

We believe that our Products Pipeline System is in compliance with applicable federal, state and local laws and regulations and accepted industry standards and practices. We perform regular maintenance on all the facilities of the Products Pipeline System and have an ongoing process of inspecting the Products Pipeline System and making repairs and replacements when necessary or appropriate. In addition, we conduct periodic air patrols of the Products Pipeline System to monitor pipeline integrity and third-party right of way encroachments.

Major Business Sector Markets

Our major operations in the Downstream Segment consist of the transportation, storage and terminaling of refined petroleum products and LPGs along our mainline system, and the storage and short-haul transportation of

LPGs associated with our Mont Belvieu LPG operations. Product deliveries, in millions of barrels (MMBbls) on a regional basis, for the years ended December 31, 2002, 2001 and 2000 were as follows:

	Product Deliveries (MMBbls) Years Ended December 31,		
	2002	**2001**	**2000**
Refined Products Mainline Transportation:			
Central (1)	62.9	62.0	63.4
Midwest (2)	49.6	37.4	36.7
Ohio and Kentucky	25.7	23.5	28.0
Subtotal	138.2	122.9	128.1
LPGs Mainline Transportation:			
Central, Midwest and Kentucky (1)(2)	25.4	23.8	23.4
Ohio and Northeast (3)	15.1	16.2	16.2
Subtotal	40.5	40.0	39.6
Total Mainline Transportation	178.7	162.9	167.7
Mont Belvieu Operations:			
LPGs	28.9	23.1	27.2
Total Product Deliveries	207.6	186.0	194.9

(1) Arkansas, Louisiana, Missouri and Texas.

(2) Illinois and Indiana.

(3) New York and Pennsylvania.

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

Refined products and LPGs deliveries for the years ended December 31, 2002, 2001 and 2000 were as follows:

	Product Deliveries (MMBbls) Years Ended December 31,		
	2002	**2001**	**2000**
Refined Products Mainline Transportation:			
Gasoline	81.9	68.2	67.8
Jet Fuels	25.3	25.4	28.1
Middle Distillates (1)	31.0	28.1	26.6
MTBE(2)	—	1.2	5.6
Subtotal	138.2	122.9	128.1
LPGs Mainline Transportation:			
Propane	32.9	32.8	33.1
Butanes	7.6	7.2	6.5
Subtotal	40.5	40.0	39.6
Total Mainline Transportation	178.7	162.9	167.7
Mont Belvieu Operations:			
LPGs	28.9	23.1	27.2
Total Product Deliveries	207.6	186.0	194.9

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

(2) Methyl tertiary butyl ether (“MTBE”). Effective April 22, 2001, we ceased transportation of MTBE through our Products Pipeline System.

Refined Products Mainline Transportation

Our Products Pipeline System transports refined petroleum products from the upper Texas Gulf Coast, eastern Texas and southern Arkansas to the Central and Midwest regions of the United States with deliveries in Texas, Louisiana, Arkansas, Missouri, Illinois, Kentucky, Indiana and Ohio. At these points, refined petroleum products are delivered to terminals owned by TE Products, connecting pipelines and customer-owned terminals.

The volume of refined petroleum products transported by our Products Pipeline System is directly affected by the demand for such products in the geographic regions the system serves. This market demand varies based upon the different end uses to which the refined products deliveries are applied. Demand for gasoline, which accounted for approximately 59% of the volume of refined products transported through the Products Pipeline System during 2002, depends upon price, prevailing economic conditions and demographic changes in the markets that we serve. Demand for refined products used in agricultural operations is affected by weather conditions, government policy and crop prices. Demand for jet fuel depends upon prevailing economic conditions and military usage.

Market prices for refined petroleum products affect the demand in the markets served by our Downstream Segment. Therefore, quantities and mix of products transported may vary. Transportation tariffs of refined petroleum products vary among specific product types. As a result, market price volatility may affect transportation volumes and revenues from period to period.

LPGs Mainline Transportation

Our Products Pipeline System transports LPGs from the upper Texas Gulf Coast to the Central, Midwest and Northeast regions of the United States. The Products Pipeline System east of Todhunter, Ohio, is devoted solely to the transportation of LPGs. Because propane demand is generally sensitive to weather in the winter months, year-to-year variations of propane deliveries have occurred and will likely continue to occur.

Our ability in the Downstream Segment to serve propane markets in the Northeast is enhanced by our marine import terminal at Providence. This facility includes a 400,000-barrel refrigerated storage tank along with ship unloading and truck loading facilities. Effective May 2001, we entered into an agreement with DEFS to commit sole utilization of the Providence terminal to DEFS. We operate the terminal and provide propane loading services to DEFS. During the years ended December 31, 2002 and 2001, revenues of $2.3 million and $1.5 million from DEFS, respectively, were recognized pursuant to this agreement.

Mont Belvieu LPGs Storage and Pipeline Shuttle

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

Our Downstream Segment has approximately 37 million barrels of LPGs storage capacity, including storage capacity leased to outside parties, at the Mont Belvieu complex. The Downstream Segment includes a Mont Belvieu short-haul transportation shuttle system, consisting of a complex system of pipelines and interconnects, that ties Mont Belvieu to virtually every refinery and petrochemical facility on the upper Texas Gulf Coast.

In February 2000, we entered into a joint marketing and development alliance with Louis Dreyfus Plastics Corporation, now known as Louis Dreyfus Energy Services, L.P. (“Louis Dreyfus”), in which our Mont Belvieu LPGs storage and transportation shuttle system services were jointly marketed by Louis Dreyfus and TE Products.

The purpose of the alliance was to expand services to the upper Texas Gulf Coast energy marketplace by increasing pipeline throughput and the mix of products handled through the existing system and establishing new receipt and delivery connections. The alliance was a service-oriented, fee-based venture with no commodity trading activity. TE Products operated the facilities for the alliance. Under the alliance, Louis Dreyfus invested $6.1 million for expansion projects at Mont Belvieu. The alliance also stipulated that if certain earnings thresholds were achieved, a partnership between TE Products and Louis Dreyfus was to be created effective January 1, 2003. All terms and earnings thresholds have been met; therefore, we will be contributing our Mont Belvieu assets to the newly formed partnership. The economic terms of the partnership are the same as those under the joint development and marketing alliance. TE Products will continue to operate the facilities for the partnership. The net book value of the Mont Belvieu assets and liabilities that we are contributing to the partnership is approximately $68.2 million. Our interest in the partnership will be accounted for as an equity investment.

Other Operating Revenues

Our Downstream Segment also earns revenue from terminaling activities and other ancillary services associated with the transportation and storage of refined petroleum products and LPGs. From time to time, we sell excess product inventory. Other operating revenues include revenues related to the intrastate transportation of petrochemicals under a throughput and deficiency contract.

Customers

Our customers for the transportation of refined petroleum products include major integrated oil companies, independent oil companies, the airline industry and wholesalers. End markets for these deliveries are primarily retail service stations, truck stops, agricultural enterprises, refineries, and military and commercial jet fuel users.

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

At December 31, 2002, our Downstream Segment had approximately 150 customers. Transportation revenues (and percentage of total revenues) attributable to the top 10 customers were $101.6 million (51%), $115.0 million (44%) and $102.0 million (45%) for the years ended December 31, 2002, 2001 and 2000, respectively. During the year ended December 31, 2002, no single customer accounted for 10% or more of the Downstream Segment’s revenues.

We manage our exposure to credit risk through credit analysis, credit approvals, credit limits and monitoring procedures. We utilize letters of credit and guarantees for certain of our receivables. However, these procedures and policies do not fully eliminate customer credit risk. During the year ended December 31, 2002, several customers of the Downstream Segment filed for bankruptcy protection. During the year ended December 31, 2002, we expensed approximately $0.7 million of uncollectible receivables of the Downstream Segment.

Competition

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

Because pipelines are generally the lowest cost method for intermediate and long-haul overland movement of refined petroleum products and LPGs, the Products Pipeline System’s most significant competitors (other than indigenous production in its markets) are pipelines in the areas where the Products Pipeline System delivers products. Competition among common carrier pipelines is based primarily on transportation charges, quality of customer service and proximity to end users. We believe our Downstream Segment is competitive with other

pipelines serving the same markets; however, comparison of different pipelines is difficult due to varying product mix and operations.

Trucks, barges and railroads competitively deliver products in some of the areas served by the Products Pipeline System. Trucking costs, however, render that mode of transportation less competitive for longer hauls or larger volumes. Barge fees for the transportation of refined products are generally lower than TE Products' tariffs. We face competition from rail movements of LPGs from Sarnia, Ontario, Canada, and waterborne imports into New Hampshire.

Upstream Segment – Gathering, Transportation, Marketing and Storage of Crude Oil

Operations

We conduct business in our Upstream Segment through TCTM and certain of its wholly owned subsidiaries, which gather, transport, market and store crude oil, and distribute lubrication oils and specialty chemicals, principally in Oklahoma, Texas and the Rocky Mountain region. We commenced our Upstream Segment business in connection with the acquisition of assets from DEFS in November 1998. Our Upstream Segment utilizes its asset base to aggregate crude oil and provide transportation and specialized services to its regional customers. Our Upstream Segment purchases crude oil from various producers and operators at the wellhead and makes bulk purchases of crude oil at pipeline and terminal facilities. The crude oil is then sold to refiners and other customers. The Upstream Segment transports crude oil through equity owned pipelines, its trucking operations and third party pipelines.

Margins in the Upstream Segment are calculated as revenues generated from the sale of crude oil and lubrication oil, and transportation of crude oil, less the costs of purchases of crude oil and lubrication oil. Margins are a more meaningful measure of financial performance than operating revenues and operating expenses due to the significant fluctuations in revenues and expenses caused by variations in the level of marketing activity and prices for products marketed (see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Upstream Segment for margin and volume information).

TCTM purchases crude oil and simultaneously establishes a margin by selling crude oil for physical delivery to third party users. We seek to maintain a balanced marketing position until we make physical delivery of the crude oil, thereby minimizing or eliminating our exposure to price fluctuations occurring after the initial purchase. However, certain basis risks, which are the risks that price relationships between delivery points, classes of products or delivery periods will change, cannot be completely hedged or eliminated. We make limited use of commodity derivative products for the purpose of hedging price changes. Risk management policies have been established by the Risk Management Committee to monitor and control market risks. The Risk Management Committee is comprised, in part, of senior executives of the Company. We had no commodity derivative contracts outstanding at December 31, 2002.

Product deliveries on TCTM's 100% owned pipeline systems and undivided joint interest pipelines for the years ended December 31, 2002, 2001 and 2000, were as follows (in millions):

	Years Ended December 31,		
	2002	**2001**	**2000**
Barrels Delivered:			
Crude oil transportation	82.8	78.7	46.2
Crude oil marketing	139.2	159.5	107.6
Crude oil terminaling	127.4	121.9	56.5
Lubricants and chemicals (total gallons)	9.6	8.8	8.0

Properties

The major crude oil pipelines and pipeline systems of our Upstream Segment are set forth in the following table, which include several pipelines owned jointly with other industry participants or producers:

Crude Oil Pipeline	Partnership Ownership	Operator	Description
Red River System	100%	TEPPCO Crude Pipeline ("TCPL") (1)	1,690 miles of pipeline; 1,484,000 barrels storage – North Texas to South Oklahoma
South Texas System	100%	TCPL	690 miles of pipeline; 630,000 barrels storage – South Central Texas to Houston, Texas area
West Texas Trunk System	100%	TCPL	250 miles of smaller diameter pipeline – connecting West Texas and Southeast New Mexico to TCTM's Midland, Texas terminal
Seaway	50% general partnership interest (2)	TCPL	500-mile, 30-inch diameter pipeline; 6,320,000 barrels storage – Texas Gulf Coast to Cushing, Oklahoma
Rancho (3)	25% joint ownership	Plains All American Pipeline, L.P.	400-mile, 24-inch diameter pipeline – West Texas to Houston, Texas
Basin	13% joint ownership	Plains All American Pipeline, L.P.	416-mile pipeline – Permian Basin (New Mexico and Texas) to Cushing, Oklahoma

(1) TCPL is a wholly owned subsidiary of TCTM.

(2) TCPL's participation in revenues and expenses of Seaway vary as described below in "Our Interest in Seaway Crude Pipeline."

(3) Under the terms of the Rancho System operating agreement, the operating agreement will expire during the first quarter of 2003.

None of these pipelines or systems are mortgaged or encumbered to secure funded debt. TCTM has provided guarantees of our unsecured debt (see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations).

The majority of the Red River System crude oil is delivered to Cushing, Oklahoma, via third party pipelines or to two local refineries. The majority of the crude oil on the South Texas System is delivered on a tariff basis to Houston area refineries. The West Texas Trunk System is a fee based system which connects gathering systems to TCTM's Midland, Texas terminal. Other crude oil assets, located primarily in Texas and Oklahoma, consist of 310 miles of pipeline and 295,000 barrels of storage capacity.

Under the terms of the Rancho System operating agreement, the operating agreement will expire during the first quarter of 2003. Upon expiration of the operating agreement, the Rancho System will cease operations in crude oil service from West Texas to Houston, Texas. The owners of the Rancho System are currently pursuing future opportunities for use of the system.

Our Interest in Seaway Crude Pipeline

Seaway Crude Pipeline Company (“Seaway”) is a partnership between a subsidiary of TCTM, TEPPCO Seaway, L.P. (“TEPPCO Seaway”), and ConocoPhillips. TCTM acquired its 50% ownership interest in Seaway on July 20, 2000, as part of its purchase of ARCO Pipe Line Company (“ARCO”), a wholly owned subsidiary of Atlantic Richfield Company, and transferred the investment to TEPPCO Seaway. We assumed ARCO’s role as operator of this pipeline. The 30-inch diameter, 500-mile pipeline transports crude oil from the U.S. Gulf Coast to Cushing, a central crude distribution point for the central United States and a delivery point for the New York Mercantile Exchange (“NYMEX”). The Freeport, Texas, marine terminal is the origin point for the 30-inch diameter crude pipeline. Three large diameter lines carry crude oil from the Freeport marine terminal to the adjacent Jones Creek Tank Farm, which has six tanks capable of handling approximately 2.6 million barrels of crude oil. A crude oil marine terminal facility at Texas City, Texas, is used to supply refineries in the Houston area. Two pipelines connect the Texas City marine terminal to tank farms in Texas City and Galena Park, Texas, where there are seven tanks with a combined capacity of approximately 3 million barrels. Seaway has the capability to provide marine terminaling and crude oil storage services for all Houston area refineries.

The Seaway partnership agreement provides for varying participation ratios throughout the life of Seaway. From July 20, 2000, through May 2002, we received 80% of revenue and expense of Seaway. From June 2002 until May 2006, we will receive 60% of revenue and expense of Seaway. Thereafter, we will receive 40% of revenue and expense of Seaway. For the year ended December 31, 2002, our portion of equity earnings on a pro-rated basis averaged approximately 67%.

Line Transfers, Pumpovers and Other

Our Upstream Segment provides trade documentation services to its customers, primarily at Cushing and Midland. TCTM documents the transfer of crude oil in its terminal facilities between contracting buyers and sellers. This line transfer documentation service is related to the trading activity by TCTM’s customers of NYMEX open-interest crude oil contracts and other physical trading activity. This service provides a documented record of receipts, deliveries and transactions to each customer, including confirmation of trade matches, inventory management and scheduled movements. Line transfer revenues are included as part of other operating revenues in our consolidated statements of income.

The line transfer services also attract physical barrels to TCTM’s facilities for final delivery to the ultimate owner. A pumpover occurs when the last title transfer is executed and the physical barrels are delivered out of TCTM’s custody. TCTM owns and operates storage facilities primarily in Midland and Cushing with an operational capacity of approximately 1.1 million barrels to facilitate the pumpover business. Revenues from pumpover services are included as part of crude oil transportation revenues in our consolidated statements of income and represents the crude oil terminaling component of margin. The line transfer and pumpover operations were acquired as part of our purchase of ARCO in July 2000.

Through its subsidiary, Lubrication Services, L.P. (“LSI”), TCTM distributes lubrication oils and specialty chemicals to natural gas pipelines, gas processors and industrial and commercial accounts. LSI’s distribution networks are located in Colorado, Wyoming, Oklahoma, Kansas, New Mexico, Texas, and Louisiana.

Customers

TCTM purchases crude oil primarily from major integrated oil companies and independent oil producers. Crude oil sales are primarily to major integrated oil companies and independent refiners. Gross sales revenue of the Upstream Segment attributable to the top 10 customers was $1.9 billion (66%) for the year ended December 31, 2002, of which Valero Energy Corp. (“Valero”) accounted for 18%. For the year ended December 31, 2001, gross sales revenue attributable to the top 10 customers was $2.0 billion (61%), of which Valero accounted for 16%. For the year ended December 31, 2000, gross sales revenue attributable to the top 10 customers was $1.6 billion (56%), of which Valero accounted for 13%.

Competition

The most significant competitors in pipeline operations in our Upstream Segment are primarily common carrier and proprietary pipelines owned and operated by major oil companies, large independent pipeline companies and other companies in the areas where our pipeline systems deliver crude oil. Competition among common carrier pipelines is based primarily on posted tariffs, quality of customer service, knowledge of products and markets, and proximity to refineries and connecting pipelines. The crude oil gathering and marketing business is characterized by thin margins and intense competition for supplies of crude oil at the wellhead. Declines in domestic crude oil production have intensified competition among gatherers and marketers.

A significant portion of the growth in our Upstream Segment has occurred through acquisitions of pipeline gathering systems. Our acquisitions in this Segment have provided increased efficiencies for the gathering and transportation of crude oil with our existing pipeline systems as well as expansion into new market areas. We experience competition from other gatherers and marketers in bidding for potential acquisitions. Within the past few years, the number of companies involved in the gathering of crude oil in the United States has decreased as a result of business consolidations and bankruptcies, which may decrease the number of potential acquisitions of crude gathering systems available to us.

Credit Policies and Procedures

As crude oil or lubrication oils are marketed, we must determine the amount, if any, of credit to be extended to any given customer, particularly in our Upstream Segment, where transported volumes are typically sold rather than transported for a fee. Due to the nature of individual sales transactions, risk of non-payment and non-performance by customers is a major consideration in our business. We manage our exposure to credit risk through credit analysis, credit approvals, credit limits and monitoring procedures. We utilize letters of credit and guarantees for certain of our receivables. However, these procedures and policies do not fully eliminate customer credit risk. During the years ended December 31, 2001 and 2000, no reserves were necessary for uncollectible receivables of the Upstream Segment. During the year ended December 31, 2002, we expensed approximately $0.2 million of uncollectible receivables of the Upstream Segment.

Midstream Segment – Gathering of Natural Gas, Fractionation of NGLs and Transportation of NGLs

We conduct business in our Midstream Segment through the following:

- TEPPCO Colorado, LLC (“TEPPCO Colorado”), which fractionates NGLs,
- TEPPCO Midstream Companies, LLC, and its wholly owned subsidiaries, Chaparral Pipeline Company, L.P. and Quanah Pipeline Company, L.P. (collectively referred to as “Chaparral” or “Chaparral NGL system”), Dean Pipeline Company, L.P., Panola Pipeline Company, L.P. and Wilcox Pipeline Company, L.P., which transport NGLs, and
- Jonah Gas Gathering Company (“Jonah”) and Val Verde Gas Gathering Company, L.P. (“Val Verde”), which gather natural gas.

On December 31, 2000, we completed an acquisition of pipeline assets from DEFS for $91.7 million, which included $0.7 million of acquisition related costs. The purchase included two NGL pipelines in East Texas: the Panola Pipeline, a pipeline from Carthage, Texas, to Mont Belvieu and the San Jacinto Pipeline, a pipeline from Carthage to Longview, Texas. The pipelines originate at DEFS’ East Texas Plant Complex in Panola County, Texas. The acquisition of the assets was accounted for under the purchase method of accounting. Accordingly, the results of operations of the acquisition were included in our consolidated financial statements in the fourth quarter of 2000.

Our subsidiaries acquired all of the partnership interests of Jonah from Alberta Energy Company, effective September 30, 2001, for $359.8 million. We paid an additional $7.3 million on February 4, 2002, for final purchase price adjustments related primarily to construction projects in progress at the time of closing. The acquisition was accounted for under the purchase method of accounting. Accordingly, the results of operations of the acquisition were included in our consolidated financial statements in the fourth quarter of 2001. Under a contractual agreement, DEFS manages and operates the Jonah assets on our behalf.

In connection with the acquisition of Jonah, we assumed responsibility for the completion of an ongoing expansion of the Jonah Gas Gathering System at a cost of approximately $25.0 million. The expansion, which was completed in March 2002, increased the capacity of the Jonah system by 62%, from approximately 450 million cubic feet per day ("MMcf/day"), to approximately 730 MMcf/day. In October 2002, additional expansion projects were completed, which increased the capacity of the Jonah system from 730 MMcf/day to approximately 880 MMcf/day. These projects were completed at a combined cost of approximately $45.0 million.

In February 2002, a producer on the Jonah system sent a letter to Alberta Energy Company implying that as a result of our acquisition of the Jonah system, it may have a right to acquire all or a portion of the assets comprising the Jonah system pursuant to an alleged right of first refusal in a gas gathering agreement between the producer and Jonah. Subsidiaries of Alberta Energy Company have agreed to indemnify us against losses resulting from any breach of representations concerning the absence of third party rights in connection with our acquisition of the entity that owns the Jonah system. We believe that we have adequate legal defenses if the producer should assert a claim, and we also believe that no right of first refusal on any of the underlying Jonah system assets has been triggered.

On March 1, 2002, we completed the purchase of the Chaparral NGL system for $132.4 million from Diamond-Koch II, L.P. and Diamond-Koch III, L.P., including acquisition related costs of approximately $0.4 million. The Chaparral NGL system extends from West Texas and New Mexico to Mont Belvieu. The pipeline delivers NGLs to fractionators and to our existing storage in Mont Belvieu. We accounted for the acquisition of the assets under the purchase method of accounting. Accordingly, the results of the acquisition have been included in our consolidated financial statements from March 1, 2002. Under a contractual agreement, DEFS manages and operates the Chaparral NGL system assets on our behalf.

On June 30, 2002, we completed the purchase of the Val Verde Gathering System for $444.2 million from Burlington Resources Gathering Inc., a subsidiary of Burlington Resources Inc., including acquisition related costs of approximately $1.2 million. The Val Verde system gathers coal bed methane ("CBM") from the Fruitland Coal Formation of the San Juan Basin in New Mexico and Colorado. The system is one of the largest CBM gathering and treating facilities in the United States. We accounted for the acquisition of the assets under the purchase method of accounting. Accordingly, the results of the acquisition have been included in our consolidated financial statements from June 30, 2002. Under a contractual agreement, DEFS manages and operates the Val Verde assets on our behalf.

Revenues of our Midstream Segment are earned from fractionation of NGLs in Colorado, transportation of NGLs and gathering fees based on the volume and pressure of natural gas gathered, and from sales of condensate on the Jonah system. We do not take title to the natural gas gathered, NGLs transported or NGLs fractionated. Accordingly, the results of operations of the Midstream Segment are not directly affected by changes in the prices of natural gas or NGLs. TEPPCO Midstream has multiple long-term contracts with producers connected to the Jonah and Val Verde systems. We cannot influence or control the operation, development or production levels of the gas fields served by the Jonah and Val Verde systems, which may be affected by price and price volatility, market demand, depletion rates of existing wells and changes in laws and regulations.

None of these pipelines or systems are mortgaged or encumbered to secure funded debt. TEPPCO Midstream, Jonah and Val Verde have each provided guarantees of our unsecured debt (see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations).

Volume information for the years ended December 31, 2002, 2001 and 2000, is presented below:

	Years Ended December 31,		
	2002	2001	2000
Gathering – Natural Gas (billion cubic feet (“Bcf”))	340.7	45.5	—
Transportation – NGLs (million barrels)	54.0	21.5	5.2
Fractionation – NGLs (million barrels)	4.1	4.1	4.1

The Jonah Gas Gathering System

The Jonah system consists of over 400 miles of pipelines ranging in size from four inches to 24 inches in diameter, four compressor stations with an aggregate of approximately 40,000 horsepower and related metering facilities. Gas gathered on the Jonah system is collected from over 450 producing wells in the Green River Basin in southwestern Wyoming, which is one of the most prolific natural gas basins in the United States. A component of the system is a processing facility that extracts condensate prior to delivery of natural gas to DEFS’ Overland Trail Transmission system and Questar. Gas is also delivered to gas processing facilities owned by others. From these processing facilities, the natural gas is delivered to several interstate pipeline systems located in the region for transportation to end-use markets throughout the Midwest, the West Coast and the Rocky Mountain regions. Interstate pipelines in the region include Kern River, Northwest, Colorado Interstate Gas and Questar.

The Val Verde Gas Gathering System

The Val Verde Gas Gathering System consists of approximately 360 miles of pipeline ranging in size from four inches to 36 inches in diameter, 14 compressor stations operating over 93,000 horsepower of compression and a large amine treating facility for the removal of carbon dioxide. The system has a pipeline capacity of approximately one billion cubic feet of gas per day. The Val Verde Gas Gathering System gathers CBM from the Fruitland Coal Formation of the San Juan Basin in New Mexico and Colorado, a long-term source of natural gas supply in North America. The basin is one of the most prolific sources of CBM and also contains significant conventional gas reserves. The system is one of the largest CBM gathering and treating facilities in the United States, gathering CBM from more than 540 separate wells throughout northern New Mexico and southern Colorado, and provides gathering and treating services pursuant to 60 long-term contracts with approximately 40 different natural gas producers in the San Juan Basin. Gas transported on the Val Verde system is delivered to several interstate pipeline systems serving the western United States, as well as local New Mexico markets.

NGL Transportation

The NGL pipelines of the Midstream Segment are located along the Texas Gulf Coast and along southeastern New Mexico and West Texas to Mont Belvieu. They are all wholly owned and operated by either our subsidiaries or DEFS. Information concerning these NGL pipelines is set forth in the following table:

NGL Pipeline	Capacity (barrels/day)	Description
Dean (1)	20,000	Dean North – 137 miles of pipeline – Mont Belvieu, Texas to Point Comfort, Texas Dean South – 148 miles of pipeline – South Texas to Point Comfort, Texas
Panola	38,000	189 miles of pipeline – Carthage, Texas to Mont Belvieu, Texas
San Jacinto	11,000	34 miles of pipeline – Carthage, Texas to Longview, Texas
Wilcox	7,000	90 miles of pipeline – Southeast Texas
Chaparral	135,000	800 miles of pipeline – West Texas and New Mexico to Mont Belvieu, Texas
Quanah	22,000	170 miles of pipeline – Sutton County, Texas to the Chaparral pipeline near Midland, Texas

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(1) Beginning in January 2003, the northern portion of the Dean pipeline was converted to transport refinery grade propylene from Mont Belvieu to Point Comfort, Texas. Effective in 2003, Dean North will be classified as a part of the Downstream Segment at the time of the change in the product being transported.

None of these pipelines are mortgaged or encumbered to secure funded debt.

The Wilcox NGL Pipeline transports NGLs for DEFS from two of their natural gas processing plants. The Wilcox NGL Pipeline is currently supported by a throughput agreement with DEFS through 2005. The fees paid to us by DEFS under the agreement totaled $1.2 million, $1.2 million and $1.1 million for the years ended December 31, 2002, 2001 and 2000, respectively. The Panola Pipeline and San Jacinto Pipeline were purchased on December 31, 2000, from DEFS for $91.7 million and originate at DEFS' East Texas Plant Complex in Panola County, Texas. For the years ended December 31, 2002 and 2001, revenues recognized included $12.0 million and $13.9 million, respectively, from a subsidiary of DEFS for NGL transportation fees on the Panola and San Jacinto Pipelines.

Customers

The Midstream Segment's customers for the gathering of natural gas include major integrated oil and gas companies and large to medium-sized independent producers. Natural gas from Jonah and Val Verde is delivered into major interstate gas pipelines for delivery primarily to markets along the West Coast. NGL sales are primarily to major integrated oil and gas companies and independent refiners.

At December 31, 2002, the Midstream Segment had approximately 70 customers. Revenues attributable to the top 10 customers were $117.5 million (85%) for the year ended December 31, 2002, of which DEFS, EnCana Corporation (formerly Alberta Energy Company), and Burlington Resources Inc. accounted for approximately 21%, 19% and 15% of revenues of the Midstream Segment, respectively. At December 31, 2001, the Midstream Segment had 16 customers. Revenues attributable to the top 10 customers were $37.0 million (99%) for the year ended December 31, 2001, of which DEFS, Enron Corp. and Alberta Energy Company accounted for approximately 61%, 13% and 11% of revenues of the Midstream Segment, respectively. At December 31, 2000, the Midstream Segment had three customers. Revenues attributable to the three customers were $14.5 million, of which DEFS and Enron Corp. accounted for 60% and 39% of revenues of the Midstream Segment, respectively.

We manage our exposure to credit risk through credit analysis, credit approvals, credit limits and monitoring procedures. We utilize letters of credit and guarantees for certain of our receivables. However, these procedures and policies do not fully eliminate customer credit risk. In December 2001, we expensed approximately $4.3 million of uncollected transportation deficiency revenues due to the bankruptcy of Enron Corp. and certain of its subsidiaries in December 2001.

Competition

The most significant competition for the NGL pipeline operations of our Midstream Segment comes primarily from proprietary pipelines owned and operated by major oil and gas companies or other large independent pipeline companies with contiguous operations. The ability to compete in the NGL pipeline area is based primarily on the quality of customer service, knowledge of products and markets and market-responsive transportation rates.

The majority of the recent growth in the Midstream Segment is due to the acquisition of Jonah in Wyoming and Val Verde in New Mexico and Colorado. Typically new supplies of natural gas are necessary to offset the natural declines in production from wells connected to any gathering system. The Jonah and Pinedale fields that are the focus of our Jonah system in Wyoming are both relatively young producing areas, characterized by long-lived production profiles and many years of significant growth potential ahead. We expect to aggressively market this system by obtaining contracts to gather additional natural gas supplies.

Competition in the natural gas gathering operations of our Midstream Segment is based in large part on reputation, efficiency, system reliability, system capacity and market responsive pricing arrangements. Key competitors in the gathering and treating segment include independent gas gatherers as well as other major integrated energy companies. Alternate gathering facilities may be available to producers served by our Midstream Segment, and those producers could also elect to construct proprietary gas gathering systems. Success in the gas gathering and treating business segment is based primarily on a thorough understanding of the needs of the producers served, as well as a strong commitment to providing responsive, high-quality customer service.

If the production ultimately delivered to one of our gathering systems declines, revenues from such operations would also be adversely affected. If such declines are sustained or substantial, then we could experience a material adverse effect on our financial position, results of operations or cash flows.

Title to Properties

We believe we have satisfactory title to all of our assets. The properties are subject to liabilities in certain cases, such as customary interests generally contracted in connection with acquisition of the properties, liens for taxes not yet due, easements, restrictions, and other minor encumbrances. In February 2002, a producer on the Jonah system sent a letter to Alberta Energy Company implying that as a result of our acquisition of the Jonah system, it may have a right to acquire all or a portion of the assets comprising the Jonah system. See Items 1 and 2 Business and Properties, “Midstream Segment – Gathering of Natural Gas, Fractionation of NGLs and Transportation of NGLs” for a more detailed discussion of the matter. We believe none of these liabilities materially affect the value of our properties or our interest in the properties or will materially interfere with their use in the operation of our business.

Capital Expenditures

Capital expenditures, excluding acquisitions, totaled $133.4 million for the year ended December 31, 2002. Revenue generating projects include those projects which expand service into new markets or expand capacity into current markets. Capital expenditures to sustain existing operations include projects required by regulatory agencies or required life-cycle replacements. System upgrade projects improve operational efficiencies or reduce cost. We capitalize interest costs incurred during the period that construction is in progress. The following table identifies capital expenditures by segment for the year ended December 31, 2002 (in millions):

	Revenue Generating	Sustaining Existing Operations	System Upgrades	Capitalized Interest	Total
Downstream Segment	$ 37.7	$13.6	$6.9	$2.7	$ 60.9
Upstream Segment	4.8	4.8	0.1	0.5	10.2
Midstream Segment	58.1	3.6	—	0.6	62.3
Total	$100.6	$22.0	$7.0	$3.8	$133.4

Revenue generating capital spending by the Downstream Segment included $24.9 million used to expand our capacity to support Centennial's throughput with additional tankage and system capacity improvements at our Beaumont terminal, and additional receipt connections and pumping capacity in the Houston Ship Channel area. An additional $3.2 million was used to construct connections and related facilities for our petrochemical pipeline system extending from Mont Belvieu to Port Arthur. We also spent approximately $3.7 million to expand capacity at truck loading facilities at Princeton, Indiana, and Lebanon, Ohio. Revenue generating capital spending by the Midstream Segment related primarily to a $45.0 million expansion of the Jonah system to increase its capacity. The remaining revenue generating capital spending of the Midstream Segment was used to construct well connections.

We estimate that capital expenditures, excluding acquisitions, for 2003 will be approximately $55.0 million (which includes $3.6 million of capitalized interest). We expect to use approximately $18.4 million for revenue generating projects. Capital spending on revenue generating projects will include approximately $7.5 million for the expansion of our pumping capacity of LPGs into the Northeast markets, approximately $1.9 million for expansion of our Downstream Segment's deliverability capacity, $4.0 million to expand Upstream Segment facilities and approximately $5.0 million for the expansion of Midstream assets. We expect to spend approximately $26.0 million to sustain existing operations, of which approximately $19.3 million will be for Downstream Segment pipeline projects, including the replacement of storage tanks, pipeline rehabilitation projects to comply with regulations enacted by the United States Department of Transportation Office of Pipeline Safety ("OPS") and the installation of replacement electrical distribution facilities at our Mont Belvieu facilities, $4.8 million for upgrades of our Upstream Segment and $1.9 million of capital expenditures to sustain existing operations on the Midstream Segment. An additional $7.0 million will be expended on system upgrade projects among all of our business segments. We continually review and evaluate potential capital improvements and expansions that would be complementary to our present business segments. These expenditures can vary greatly depending on the magnitude of our transactions. We may finance capital expenditures through internally generated funds, debt or the issuance of additional equity.

Regulation

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

Rates of interstate refined petroleum products and crude oil pipeline companies, like us, are currently regulated by the FERC primarily through an index methodology, which allows a pipeline to change its rates based on the change from year to year in the Producer Price Index for finished goods ("PPI Index"). Effective as of February 24, 2003, FERC Order on Remand modified the PPI Index from PPI – 1% to PPI. In the alternative, interstate refined petroleum products and crude oil pipeline companies may elect to support rate filings by using a cost-of-service methodology, competitive market showings ("Market-Based Rates") or agreements between shippers and refined petroleum products and crude oil pipeline companies that the rate is acceptable ("Settlement Rates").

On May 11, 1999, TE Products filed an application with the FERC requesting permission to charge Market-Based Rates for substantially all refined products transportation tariffs. On July 31, 2000, the FERC issued an order granting TE Products Market-Based Rates in certain markets and set for hearing TE Products' application for Market-Based Rates in certain destination markets and origin markets. After the matter was set for hearing, TE Products and the protesting shippers entered into a settlement agreement resolving their respective differences. On

April 25, 2001, the FERC issued an order approving the offer of settlement. As a result of the settlement, TE Products recognized approximately $1.7 million of previously deferred transportation revenue in the second quarter of 2001. As a part of the settlement, TE Products withdrew the application for Market-Based Rates to the Little Rock, Arkansas, and Arcadia and Shreveport-Arcadia, Louisiana, destination markets, which are currently subject to the PPI Index. As a result, we made refunds of approximately $1.0 million in the third quarter of 2001 for those destination markets.

In a 1995 decision involving an unrelated pipeline limited partnership, the FERC partially disallowed the inclusion of income taxes in that partnership's cost of service. In another FERC proceeding involving a different pipeline limited partnership, the FERC held that the pipeline limited partnership may not claim an income tax allowance for income attributable to non-corporate limited partners, both individuals and other entities. These FERC decisions do not affect our current rates and rate structure because we do not use the cost of service methodology to support our rates. However, the FERC decisions might become relevant to us should we (i) elect in the future to use the cost-of-service methodology or (ii) be required to use such methodology to defend initial rates or our indexed rates against a shipper protest alleging that an indexed rate increase substantially exceeds actual cost increases. Should these circumstances arise, there can be no assurance with respect to the effect of these precedents on our rates in view of the uncertainties involved in this issue.

The natural gas gathering operations of the Jonah and Val Verde systems are exempt from FERC regulation under the Natural Gas Act of 1938 since they are intrastate gas gathering systems rather than interstate transmission pipelines. However, FERC regulation still significantly affects the Midstream Segment, directly or indirectly, by its influences on the parties that produce the natural gas gathered on the Jonah and Val Verde systems. In addition, in recent years, FERC has pursued pro-competition policies in its regulation of interstate natural gas pipelines. If the FERC does not continue the pro-competition policies as it considers pipeline rate case proposals, revisions to rules and policies that affect shipper rights of access to interstate natural gas transportation capacity or proposals by natural gas pipelines to allow natural gas pipelines to charge negotiated rates without rate ceiling limits, such policy changes could have an adverse effect on the gathering rates the Midstream Segment is able to charge in the future.

Environmental Matters

Our operations are subject to federal, state and local laws and regulations governing the discharge of materials into the environment. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, imposition of injunctions delaying or prohibiting certain activities and the need to perform investigatory and remedial activities. Although we believe our operations are in material compliance with applicable environmental laws and regulations, risks of significant costs and liabilities are inherent in pipeline operations, and we cannot assure you that significant costs and liabilities will not be incurred. Moreover, it is possible that other developments, such as increasingly strict environmental laws and regulations and enforcement policies thereunder, and claims for damages to property or persons resulting from our operations, could result in substantial costs and liabilities to us. We believe that changes in environmental laws and regulations will not have a material adverse effect on our financial position, results of operations or cash flows in the near term.

Water

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

Contamination resulting from spills or releases of petroleum products is an inherent risk within the petroleum pipeline industry. To the extent that groundwater contamination requiring remediation exists along our pipeline systems as a result of past operations, we believe any such contamination could be controlled or remedied

without having a material adverse effect on our financial position, but such costs are site specific, and we cannot assure you that the effect will not be material in the aggregate.

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

The EPA has adopted regulations that require us to have permits in order to discharge certain storm water run-off. Storm water discharge permits may also be required by certain states in which we operate. These permits may require us to monitor and sample the storm water run-off.

Air Emissions

Our operations are subject to the federal Clean Air Act (the "Clean Air Act") and comparable state laws. Amendments to the Clean Air Act, as well as recent or soon to be adopted changes to state implementation plans for controlling air emissions in regional, non-attainment areas, may require our operations to incur future capital expenditures in connection with the addition or modification of existing air emission control equipment and strategies. In addition, some of our facilities are included within the categories of hazardous air pollutant sources, which are subject to increasing regulation under the Clean Air Act. The Clean Air Act requires federal operating permits for major sources of air emissions. Under this program, a federal operating permit (a "Title V" permit) may be issued. The permit acts as an umbrella that includes other federal, state and local preconstruction and/or operating permit provisions, emission standards, grandfathered rates and record keeping, reporting and monitoring requirements in a single document. The federal operating permit is the tool that the public and regulatory agencies use to review and enforce a site's compliance with all aspects of clean air regulation at the federal, state and local level. We have completed applications for the facilities for which these regulations apply.

Risk Management Plans

We are subject to the EPA's Risk Management Plan ("RMP") regulations at certain locations. This regulation is intended to work with the Occupational Safety and Health Act ("OSHA") Process Safety Management regulation (see "Safety Regulation" below) to minimize the offsite consequences of catastrophic releases. The regulation requires a regulated source, in excess of threshold quantities, to develop and implement a risk management program that includes a five-year accident history, an offsite consequence analyses, a prevention program and an emergency response program. We believe the operating expenses of the RMP regulations will not have a material adverse effect on our financial position, results of operations or cash flows.

Solid Waste

We generate hazardous and non-hazardous solid wastes that are subject to requirements of the federal Resource Conservation and Recovery Act ("RCRA") and comparable state statutes. Amendments to RCRA required the EPA to promulgate regulations banning the land disposal of all hazardous wastes unless the wastes meet certain treatment standards or the land-disposal method meets certain waste containment criteria. From time to time, the EPA considers the adoption of stricter disposal standards for non-hazardous wastes, including crude oil and gas wastes. The adoption of such stricter standards for non-hazardous wastes, or any future re-designation of non-hazardous wastes as hazardous wastes will likely increase our operating expenses as well as the industry in general. We utilize waste minimization and recycling processes to reduce the volume of our waste. We currently have one permitted on-site waste water treatment facility. Operating expenses of this facility have not had a material adverse effect on our financial position, results of operations or cash flows.

Superfund

The Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), also known as “Superfund,” imposes liability, without regard to fault or the legality of the original act, on certain classes of persons who contributed to the release of a “hazardous substance” into the environment. These persons include the owner or operator of a facility where a release occurred and companies that disposed or arranged for the disposal of the hazardous substances found at a facility. Under CERCLA, these persons may be subject to joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources and for the costs of certain health studies. CERCLA also authorizes the EPA and, in some instances, third parties to take actions in response to threats to the public health or the environment and to seek to recover from the responsible classes of persons the costs they incur. It is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by hazardous substances or other pollutants released into the environment. In the course of our ordinary operations, our pipeline system generates wastes that may fall within CERCLA’s definition of a “hazardous substance.” In the event a disposal facility previously used by us requires clean up in the future, we may be responsible under CERCLA for all or part of the costs required to clean up sites at which such wastes have been disposed.

In December 1999, we were notified by the EPA of potential liability for alleged waste disposal at Container Recycling, Inc., located in Kansas City, Kansas. We were also asked to respond to an EPA Information Request. Our response to the information request has been filed with the EPA Region VII office. Based on information we have received from the EPA, as well as through our internal investigations, we are pursuing dismissal from this matter.

In November 2002, we were notified by the EPA of a potential liability for alleged waste disposal at Industrial Pollution Control located in Jackson, Mississippi. Based on the pro-rata share of waste disposed of at the facility, the potentially responsible parties were requested to file a tolling agreement. We filed this agreement with the EPA in December 2002. Our contribution of total waste disposed of at the facility was estimated to be less than 1% and potential liabilities are not expected to exceed $30,000.

Other Environmental Proceedings

In 1994, we entered into an Agreed Order with the Indiana Department of Environmental Management (“IDEM”) that resulted in the implementation of a remediation program for groundwater contamination attributable to our operations at the Seymour terminal. In 1999, the IDEM approved a Feasibility Study, which includes our proposed remediation program. In March 2003, the IDEM issued a Record of Decision formally approving the remediation program. As the Record of Decision has been issued, we will enter into an Agreed Order for the continued operation and maintenance of the remediation program. We have an accrued liability of $0.4 million at December 31, 2002, for future remediation costs at the Seymour terminal. We do not expect that the completion of the remediation program will have a future material adverse effect on our financial position, results of operations or cash flows.

In 1994, the Louisiana Department of Environmental Quality (“LDEQ”) issued a compliance order for environmental contamination at our Arcadia, Louisiana, facility. This contamination may be attributable to our operations, as well as adjacent petroleum terminals operated by other companies. In 1999, our Arcadia facility and adjacent terminals were directed by the Remediation Services Division of the LDEQ to pursue remediation of this containment phase. At December 31, 2002, we have an accrued liability of $0.2 million for remediation costs at our Arcadia facility. We do not expect that the completion of the remediation program that we have proposed will have a future material adverse effect on our financial position, results of operations or cash flows.

At December 31, 2002, we had an accrued liability of $5.6 million and a receivable of $4.2 million from DEFS related to various TCTM sites requiring environmental remediation activities. The receivable is based on a contractual indemnity obligation we received in connection with our acquisition of assets from a DEFS affiliate in November 1998. The indemnity relates to future environmental remediation activities attributable to operations of these assets prior to our acquisition. Under this indemnity obligation, we are responsible for the first $3.0 million in specified environmental liabilities, and DEFS is responsible for those environmental liabilities in excess of $3.0

million, up to a maximum amount of $25.0 million. The majority of the receivable from DEFS relates to remediation activities at the Velma crude oil site in Stephens County, Oklahoma. The accrued liability balance at December 31, 2002, also includes an accrual of $2.3 million related to the Shelby crude oil site in Stephens County, Oklahoma. At December 31, 2002, it is uncertain if these costs related to Shelby are covered under the indemnity obligation from DEFS. We are currently in discussions with DEFS regarding these matters. We do not expect that the completion of remediation programs associated with TCTM activities will have a future material adverse effect on our financial position, results of operations or cash flows.

DOT Pipeline Compliance Matters

We are subject to regulation by the United States Department of Transportation (“DOT”) under the Accountable Pipeline and Safety Partnership Act of 1996, sometimes referred to as the Hazardous Liquid Pipeline Safety Act (“HLPSA”), and comparable state statutes relating to the design, installation, testing, construction, operation, replacement and management of our pipeline facilities. The HLPSA covers petroleum and petroleum products and requires any entity that owns or operates pipeline facilities to comply with such regulations, to permit access to and copying of records and to file certain reports and provide information as required by the Secretary of Transportation. The HLPSA was reauthorized in 2002.

We are subject to the OPS regulation requiring qualification of pipeline personnel. The regulation requires pipeline operators to develop and maintain a written qualification program for individuals performing covered tasks on pipeline facilities. The intent of this regulation is to ensure a qualified work force and to reduce the probability and consequence of incidents caused by human error. The regulation establishes qualification requirements for individuals performing covered tasks, and amends certain training requirements in existing regulations. A written qualification program was completed in April 2001, and our employees performing a covered task were qualified by the October 2002 deadline.

We are also subject to the OPS Integrity Management regulations which specify how companies with greater than 500 miles of pipeline should assess, evaluate, validate and maintain the integrity of pipeline segments that, in the event of a release, could impact High Consequence Areas (“HCA”). HCA are defined as highly populated areas, unusually sensitive environmental areas and commercially navigable waterways. The regulation requires an Integrity Management Program (“IMP”) be developed that utilizes internal pipeline inspection, pressure testing, or other equally effective means to assess the integrity of HCA pipeline segments. The regulation also requires periodic review of HCA pipeline segments to ensure adequate preventative and mitigative measures exist and that companies take prompt action to address integrity issues raised by the assessment and analysis. In compliance with these OPS regulations, we identified our HCA pipeline segments and developed an IMP by the March 31, 2002 deadline. The regulations require that initial HCA baseline integrity assessments are conducted within seven years, with all subsequent assessments conducted on a five-year cycle. We will evaluate each pipeline segment’s integrity by analyzing available information and develop a range of potential impacts resulting from a potential release to a HCA. We are currently developing cost estimates related to our baseline integrity assessments.

Safety Matters

We are also subject to the requirements of the federal OSHA and comparable state statutes. We believe we are in material compliance with OSHA and state requirements, including general industry standards, record keeping requirements and monitoring of occupational exposures.

The OSHA hazard communication standard, the EPA community right-to-know regulations under Title III of the federal Superfund Amendment and Reauthorization Act and comparable state statutes require us to organize and disclose information about the hazardous materials used in our operations. Certain parts of this information must be reported to employees, state and local governmental authorities, and local citizens upon request. We are subject to OSHA Process Safety Management (“PSM”) regulations, which are designed to prevent or minimize the consequences of catastrophic releases of toxic, reactive, flammable or explosive chemicals. These regulations apply to any process which involves a chemical at or above the specified thresholds or any process which involves a flammable liquid or gas, as defined in the regulations, stored on-site in one location, in a quantity of 10,000 pounds or more. We utilize certain covered processes and maintain storage of LPGs in pressurized tanks, caverns and wells, in excess of 10,000 pounds at various locations. Flammable liquids stored in atmospheric tanks below their normal

boiling point without benefit of chilling or refrigeration are exempt. We believe we are in material compliance with the OSHA regulations.

In general, we expect to increase our expenditures during the next decade to comply with stricter industry and regulatory safety standards such as those described above. While such expenditures cannot be accurately estimated at this time, we do not believe that they will have a future material adverse effect on our financial position, results of operations or cash flows.

Employees

We do not have any employees, officers or directors. The General Partner is responsible for the management of us and our subsidiaries. As of December 31, 2002, the General Partner had 970 employees.

Available Information

We file annual, quarterly and other reports and other information with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 (the "Exchange Act"). You may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. You may obtain additional information about the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site (http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us.

We also make available free of charge on or through our Internet website (http://www.teppco.com) or through our Investor Relations Department (1-800-659-0059) our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and other information statements and, if applicable, amendments to those reports filed or furnished pursuant to Section 13(a) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

Item 3. *Legal Proceedings*

Toxic Tort Litigation - Seymour, Indiana

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

Other Litigation

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

cannot estimate the damages, if any, associated with this pending lawsuit; however, this case is covered by insurance.

On April 19, 2002, we, through our subsidiary TEPPCO Crude Oil, L.P., filed a declaratory judgment action in the U.S. District Court for the Western District of Oklahoma against D.R.D. Environmental Services, Inc. (“D.R.D.”) seeking resolution of billing and other contractual disputes regarding potential overcharges for environmental remediation services provided by D.R.D. On May 28, 2002, D.R.D. filed a counterclaim for alleged breach of contract in the amount of $2,243,525, and for unspecified damages for alleged tortious interference with D.R.D.’s contractual relations with DEFS. We have denied the counterclaims. Discovery is ongoing. If D.R.D. should be successful, management believes that a substantial portion of the $2,243,525 breach of contract claim will be covered under an indemnity from DEFS. We cannot predict the outcome of the litigation against us; however, we are defending ourselves vigorously against the counterclaim. We do not believe that the outcome of this lawsuit will have a material adverse effect on our financial position, results of operations or cash flows.

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

Item 4. *Submission of Matters to a Vote of Security Holders*

None.

PART II

Item 5. *Market for Registrant’s Units and Related Unitholder Matters*

Our Limited Partner Units are listed and traded on the New York Stock Exchange under the symbol TPP. The high and low trading prices of our Limited Partner Units in 2002 and 2001, respectively, as reported on *The New York Times*, were as follows:

	2002		2001	
Quarter	High	Low	High	Low
First	$33.25	$27.30	$27.44	$24.38
Second	33.20	29.35	30.10	25.76
Third	32.19	23.90	32.90	26.00
Fourth	29.98	26.00	36.50	28.50

Based on the information received from our transfer agent and from brokers and nominees, we estimate the number of beneficial unitholders of our Limited Partner Units as of March 14, 2003, to be approximately 51,300.

The quarterly cash distributions for 2001 and 2002 were as follows:

Record Date	Payment Date	Amount Per Unit
April 30, 2001	May 4, 2001	$0.525
July 31, 2001	August 6, 2001	0.525
October 31, 2001	November 5, 2001	0.575
January 31, 2002	February 8, 2002	0.575
April 30, 2002	May 8, 2002	$0.575
July 31, 2002	August 8, 2002	0.600
October 31, 2002	November 8, 2002	0.600
January 31, 2003	February 7, 2003	0.600

We make quarterly cash distributions of all of our Available Cash, generally defined as consolidated cash receipts less consolidated cash disbursements and cash reserves established by the General Partner in its sole discretion. Pursuant to the Partnership Agreement, the Company receives incremental incentive cash distributions when cash distributions exceed certain target thresholds (see Note 13. Quarterly Distributions of Available Cash).

We are a publicly traded master limited partnership and are not subject to federal income tax. Instead, unitholders are required to report their allocated share of our income, gain, loss, deduction and credit, regardless of whether we make distributions. We have made quarterly distribution payments since May 1990.

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

Item 6. ***Selected Financial Data***

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

	Years Ended December 31,				
	2002(1)	2001(2)	2000 (3)	1999	1998 (4)
	(in thousands, except per Unit amounts)				
Income Statement Data:					
Operating revenues:					
Sales of crude oil and petroleum products	$2,823,800	$3,219,816	$2,821,943	$1,692,767	$214,463
Transportation – Refined products	123,476	139,315	119,331	123,004	119,854
Transportation – LPGs	74,577	77,823	73,896	67,701	60,902
Transportation – Crude oil	27,414	24,223	17,524	11,846	3,392
Transportation – NGLs	38,870	20,702	7,009	—	—
Gathering – Natural gas	90,053	8,824	—	—	—
Mont Belvieu operations	15,238	14,116	13,334	12,849	10,880
Other revenues	48,735	51,594	34,904	26,716	20,147
Total operating revenues	3,242,163	3,556,413	3,087,941	1,934,883	429,638
Purchases of crude oil and petroleum products	2,772,328	3,172,805	2,793,643	1,666,042	212,371
Operating expenses	213,556	185,918	150,149	136,095	110,363
Depreciation and amortization	86,032	45,899	35,163	32,656	26,938
Operating income	170,247	151,791	108,986	100,090	79,966
Interest expense – net	(66,192)	(62,057)	(44,423)	(29,430)	(28,989)
Equity earnings	11,980	17,398	12,214	—	—
Other income – net	1,827	1,999	599	1,460	2,364
Income before extraordinary item	117,862	109,131	77,376	72,120	53,341
Extraordinary loss on debt extinguishment, net of minority interest (5)	—	—	—	—	(72,767)
Net income (loss) (as reported)	117,862	109,131	77,376	72,120	(19,426)
Amortization of goodwill and excess investment	—	2,396	767	—	—
Adjusted net income (loss)	$ 117,862	$ 111,527	$ 78,143	$ 72,120	$ (19,426)
Basic and diluted income per Unit: (6)					
Before extraordinary item (as reported)	$ 1.79	$ 2.18	$ 1.89	$ 1.91	$ 1.61
Extraordinary loss on debt extinguishment (5)	—	—	—	—	(2.21)
Amortization of goodwill and excess investment	—	0.05	0.02	—	—
Adjusted net income (loss) per Unit	$ 1.79	$ 2.23	$ 1.91	$ 1.91	$ (0.60)

	December 31,				
	2002(1)	2001(2)	2000 (3)	1999	1998 (4)
	(in thousands)				
Balance Sheet Data:					
Property, plant and equipment – net	$1,587,824	$1,180,461	$ 949,705	$ 720,919	$671,611
Total assets	2,770,642	2,065,348	1,622,810	1,041,373	916,919
Long-term debt (net of current maturities)	1,377,692	715,842	835,784	455,753	427,722
Total debt	1,377,692	1,075,842	835,784	455,753	427,722
Class B Units held by related party	103,363	105,630	105,411	105,859	105,036
Partners' capital	891,842	543,181	315,057	229,767	227,186

	Years Ended December 31,				
	2002(1)	2001(2)	2000 (3)	1999	1998 (4)
	(in thousands, except per Unit amounts)				
Cash Flow Data:					
Net cash provided by operating activities	$ 234,917	$ 169,148	$108,045	$103,070	$ 93,215
Capital expenditures to sustain existing operations	(21,978)	(18,578)	(21,859)	(24,890)	(20,320)
Distributions paid	(151,853)	(104,412)	(82,231)	(69,259)	(56,774)
Distributions paid per Unit	$ 2.35	$ 2.15	$ 2.00	$ 1.85	$ 1.75

(1) Data reflects the operations of Val Verde and Chaparral assets acquired on June 30, 2002 and March 1, 2002, respectively.

(2) Data reflects the operations of the Jonah assets acquired on September 30, 2001.

(3) Data reflects the operations of the ARCO assets acquired on July 20, 2000.

(4) Data reflects the commencement of the Upstream Segment, effective November 1, 1998.

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

(6) Per Unit calculation includes 3,916,547 Class B Units issued on November 1, 1998; 3,700,000 Limited Partner Units issued in 2000; 7,750,000 Limited Partner Units issued in 2001, and 13,359,597 Limited Partner Units issued in 2002.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

General

The following information is provided to facilitate increased understanding of our 2002, 2001 and 2000 consolidated financial statements and our accompanying notes listed in the Index to Financial Statements on page F-1 of this Report. Accounting policies that are among the most critical to the portrayal of our financial condition and results of operations are discussed under "Critical Accounting Policies." Material period-to-period variances in the consolidated statements of income are discussed under "Results of Operations." The "Financial Condition and Liquidity" section analyzes cash flows and financial position. Discussion included in "Other Considerations" addresses trends, future plans and contingencies that are reasonably likely to materially affect future liquidity or earnings.

We operate and report in three business segments:

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

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

Effective January 1, 2002, we realigned our three business segments to reflect our entry into the natural gas gathering business and the expanded scope of NGLs operations. We transferred the fractionation of NGLs, which was previously reflected as part of the Downstream Segment, to the Midstream Segment. The operation of NGL pipelines, which was previously reflected as part of the Upstream Segment, was also transferred to the Midstream Segment. We have adjusted our period-to-period comparisons to conform with the current presentation.

Our Downstream Segment revenues are earned from transportation and storage of refined products and LPGs, storage and short-haul shuttle transportation of LPGs at the Mont Belvieu complex, intrastate transportation

of petrochemicals, sale of product inventory and other ancillary services. The two largest operating expense items of the Downstream Segment are labor and electric power. We generally realize higher revenues during the first and fourth quarters of each year since our operations are somewhat seasonal. Refined products volumes are generally higher during the second and third quarters because of greater demand for gasolines during the spring and summer driving seasons. LPGs volumes are generally higher from November through March due to higher demand in the Northeast for propane, a major fuel for residential heating. Our Downstream Segment also includes our equity investment in Centennial.

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

Our Midstream Segment revenues are earned from the gathering of natural gas, fractionation of NGLs and transportation of NGLs. The Midstream Segment includes the operations from the acquisition of Jonah on September 30, 2001, from Alberta Energy Company for $359.8 million. We paid an additional $7.3 million on February 4, 2002, for final purchase adjustments related primarily to construction projects in progress at the time of closing. The results of operations of the acquisition are included in our consolidated financial statements beginning in the fourth quarter of 2001. The Jonah assets are managed and operated by DEFS under a contractual agreement.

On March 1, 2002, we completed the purchase of the Chaparral NGL system for $132.4 million from Diamond-Koch II, L.P. and Diamond-Koch III, L.P., including acquisition related costs of approximately $0.4 million. The Chaparral NGL system has an 800-mile pipeline that extends from West Texas and New Mexico to Mont Belvieu. The pipeline delivers NGLs to fractionators and to our existing storage in Mont Belvieu. The Chaparral NGL system also has an approximately 170-mile NGL gathering system located in West Texas, which begins in Sutton County, Texas, and connects to the 800-mile pipeline near Midland. The pipelines are connected to 27 gas plants in West Texas and have approximately 28,000 horsepower of pumping capacity at 14 stations. The Chaparral NGL system is managed and operated by DEFS under a contractual agreement. These assets are included in the Midstream Segment.

On June 30, 2002, we completed the purchase of the Val Verde Gathering System for $444.2 million from Burlington Resources Gathering Inc., a subsidiary of Burlington Resources Inc., including acquisition related costs of approximately $1.2 million. Val Verde gathers CBM from the Fruitland Coal Formation of the San Juan Basin in New Mexico and Colorado. The system is one of the largest CBM gathering and treating facilities in the United States, gathering CBM from more than 540 separate wells throughout New Mexico. The system provides gathering and treating services pursuant to approximately 60 long-term contracts with approximately 40 different gas producers in the San Juan Basin. Gas gathered on the Val Verde Gathering System is delivered to several interstate pipeline systems serving the western United States and to local New Mexico markets. The Val Verde Gathering System consists of 360 miles of pipeline ranging in size from 4 inches to 36 inches in diameter, 14 compressor stations operating over 93,000 horsepower of compression and a large amine treating facility for the removal of carbon dioxide. The system has a pipeline capacity of approximately one billion cubic feet per day. The Val Verde assets are managed and operated by DEFS under a contractual agreement. These assets are included in the Midstream Segment.

Critical Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent assets and liabilities in the accompanying financial statements. Changes in these estimates could materially affect our financial position, results of operations or cash flows. Key estimates used by management include revenue and expense accruals, environmental costs, depreciation and amortization, asset impairment and fair values of assets acquired. Significant accounting policies that we employ are presented in the notes to the consolidated financial statements.

Critical accounting policies are those that are most important to the portrayal to our financial position and results of operations. These policies require management's most difficult, subjective or complex judgments, often employing the use of estimates about the effect of matters that are inherently uncertain. Our most critical accounting policies pertain to revenue and expense accruals, environmental costs, property, plant and equipment, goodwill and intangible assets.

Revenue and Expense Accruals

We routinely make accruals for both revenues and expenses before we receive certain third party information and reconcile our records with those of third parties. The delayed information from third parties includes, among other things, actual volumes of crude oil purchased, transported or sold, adjustments to inventory and invoices for purchases and other operating expenses. We make accruals to reflect estimates for these items based on our internal records and information from third parties. The estimated accruals are reversed in the following month when actual information is received from third parties and our internal records have been reconciled.

Environmental Costs

At December 31, 2002, we have accrued a liability for our estimate of the future payments we expect to pay for environmental costs to remediate existing conditions attributable to past operations. We accrue for environmental costs that relate to existing conditions caused by past operations. Environmental costs include initial site surveys and environmental studies of potentially contaminated sites, costs for remediation and restoration of sites determined to be contaminated and ongoing monitoring costs, as well as fines, damages and other costs, when estimable. We monitor the balance of accrued undiscounted environmental liabilities on a regular basis. We record liabilities for environmental costs at a specific site when our liability for such costs, including direct internal and legal costs, is probable and a reasonable estimate of the associated costs can be made. Adjustments to initial estimates are recorded, from time to time, to reflect changing circumstances and estimates based upon additional information developed in subsequent periods. Estimates of our ultimate liabilities associated with environmental costs are particularly difficult to make with certainty due to the number of variables involved, including the early stage of investigation at certain sites, the lengthy time frames required to complete remediation alternatives available and the evolving nature of environmental laws and regulations. For information concerning environmental regulation and environmental costs and contingencies, see Item 1 and 2. Business and Properties – "Environmental Matters" in this Report.

Property, Plant and Equipment

We record property, plant and equipment at its acquisition cost. Additions to property, plant and equipment, including major replacements or betterments, are recorded at cost. We charge replacements and renewals of minor items of property that do not materially increase values or extend useful lives to maintenance expense. Depreciation expense is computed on the straight-line method using rates based upon expected useful lives of various classes of assets (ranging from 2% to 20% per annum).

We evaluate impairment of long-lived assets in accordance with Statement of Financial Accounting Standards ("SFAS") No. 121, *Accounting for the Impairment of Long-Lived Assets to Be Disposed Of*, and effective January 1, 2002, SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the carrying amount of assets to be held and used is measured by a comparison of the carrying amount of the asset to future net cash flows expected to be generated by the asset. Estimates of future net cash flows include anticipated future revenues, expected future operating costs and other estimates. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

During the second quarter of 2001, Pennzoil-Quaker State Company (“Pennzoil”) sold its Shreveport, Louisiana, refinery. Under its transportation agreement with TE Products, Pennzoil had a throughput commitment of 25,000 barrels per day. Pennzoil and TE Products negotiated a settlement of $18.9 million to terminate the long-term transportation agreement from the Shreveport origin point on the Products Pipeline System. The termination payment was recorded as refined products transportation revenue in 2001.

We have evaluated the impact of the contract termination on the pipeline segment from Shreveport to El Dorado, Arkansas, in accordance with SFAS 144. The evaluation did not result in an impairment of the carrying value of the related transportation assets, which was $28.1 million at December 31, 2002. We are pursuing various alternatives including making system changes to allow for bi-directional product flow to make deliveries into the Shreveport market area. We have completed feasibility studies, and we are in discussions with potential customers regarding the transportation of volumes through this pipeline. If alternative revenue sources are not realized on this pipeline segment, an impairment may be recorded for the excess of the carrying value over discounted future net cash flows.

Goodwill and Intangible Assets

Goodwill and intangible assets represent the excess of consideration paid over the fair value of tangible net assets acquired. Certain assumptions and estimates are employed in determining the fair value of assets acquired including goodwill and other intangible assets as well as determining the allocation of goodwill to the appropriate reporting unit. In addition, we assess the recoverability of these intangibles by determining whether the amortization of these intangibles over their remaining useful lives can be recovered through undiscounted future net cash flows of the acquired operations. The amount of impairment, if any, is measured by the amount by which the carrying amounts exceed the projected discounted future operating cash flows. During 2002, we adopted SFAS No. 142, *Goodwill and Other Intangible Assets*, which discontinues the amortization of goodwill and indefinite life intangibles and requires an annual test of impairment based on a comparison of fair value to carrying values. The evaluation of impairment under SFAS 142 requires the use of projections, estimates and assumptions as to the future performance of the operations, including anticipated future revenues, expected future operating costs and the discount factor used. Actual results could differ from projections resulting in revisions to our assumptions and, if required, recognizing an impairment loss. Based on our assessment, we do not believe our goodwill is impaired and we have not recorded a charge from the adoption of SFAS 142.

At December 31, 2002, we have $433.7 million of natural gas transportation contracts which were recorded as part of our acquisitions of Jonah on September 30, 2001, and Val Verde on June 30, 2002 (see Note 5. Acquisitions). The value assigned to the natural gas transportation contracts required management to make estimates regarding the fair value of the assets acquired. In connection with the acquisition of Jonah, we assumed contracts that dedicate future production from natural gas wells in the Green River Basin in Wyoming. We assigned $222.8 million of the purchase price to these production contracts based upon a fair value appraisal at the time of closing. In connection with the acquisition of Val Verde, we assumed fixed-term gas transportation contracts with customers in the San Juan Basin in New Mexico and Colorado. We assigned $239.6 million of the purchase price to these fixed term contracts based upon a fair value appraisal at the time of the closing. The value assigned to intangible assets is amortized on a unit of production basis, based upon the actual throughput of the system over the expected total throughput for the lives of the contracts. The amortization of the Jonah and Val Verde systems are expected to average approximately 16 years and 20 years, respectively. On a quarterly basis, we update production estimates of the natural gas wells and evaluate the remaining expected useful life of the contract assets. Changes in the estimated remaining production will impact the timing of amortization expense reported for future periods.

Results of Operations

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

	Years Ended December 31,		
	2002	2001	2000
Operating revenues:			
Downstream Segment	$ 243,538	$ 264,233	$ 229,234
Upstream Segment	2,861,700	3,255,260	2,844,245
Midstream Segment	138,922	37,242	14,462
Intercompany eliminations	(1,997)	(322)	—
Total operating revenues	3,242,163	3,556,413	3,087,941
Operating income:			
Downstream Segment	83,098	117,676	85,441
Upstream Segment	26,408	18,292	14,659
Midstream Segment	60,741	15,823	8,886
Total operating income	170,247	151,791	108,986
Earnings before interest:			
Downstream Segment	77,115	118,064	87,092
Upstream Segment	46,735	38,027	26,373
Midstream Segment	61,010	15,897	9,123
Intercompany eliminations	(806)	—	—
Total earnings before interest	184,054	171,988	122,588
Interest expense	(70,537)	(66,057)	(48,982)
Interest capitalized	4,345	4,000	4,559
Minority interest	—	(800)	(789)
Net income	$ 117,862	$ 109,131	$ 77,376

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

Downstream Segment

The following table presents volume and average tariff information for the years ended December 31, 2002, 2001 and 2000:

	Years Ended December 31,			Percentage Increase (Decrease)	
	2002	2001	2000	2002	2001
	(in thousands, except tariff information)				
Volumes Delivered:					
Refined products	138,164	122,947	128,151	12%	(4%)
LPGs	40,490	39,957	39,633	1%	1%
Mont Belvieu operations	28,948	23,122	27,159	25%	(15%)
Total	207,602	186,026	194,943	12%	(5%)
Average Tariff per Barrel:					
Refined products	$ 0.89	$ 0.98 (1)	$ 0.93	(9%)	5%
LPGs	1.84	1.95	1.86	(6%)	5%
Mont Belvieu operations	0.15	0.18	0.16	(17%)	13%
Average system tariff per barrel	$ 0.97	$ 1.09	$ 1.01	(11%)	8%

(1) Excludes $18.9 million received from Pennzoil for canceled transportation agreement discussed below.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Our Downstream Segment reported earnings before interest of $77.1 million for the year ended December 31, 2002, compared with earnings before interest of $118.1 million for the year ended December 31, 2001. Earnings before interest decreased $41.0 million primarily due to a decrease of $20.7 million in operating revenues, an increase of $13.9 million in costs and expenses, additional losses of $5.7 million from equity investments and a decrease of $0.7 million in other income – net. We discuss the factors influencing these variances below.

Revenues from refined products transportation decreased $15.8 million for the year ended December 31, 2002, compared with the year ended December 31, 2001, primarily due to $18.9 million of revenue recognized in 2001 from a cash settlement received from a canceled transportation agreement with Pennzoil and the recognition of $1.7 million of previously deferred revenue related to the approval of market-based rates during the second quarter of 2001. See further discussion regarding these factors included in “Other Considerations.” These decreases were partially offset by a 12% increase in refined products volumes delivered during the year ended December 31, 2002, primarily due to barrels received into our pipeline from Centennial at Creal Springs, Illinois. Centennial commenced refined products deliveries to us beginning in April 2002. The overall increase in refined products deliveries was partially offset by a 1.3 million barrel decrease in MTBE deliveries as a result of the expiration of contract deliveries to our marine terminal near Beaumont effective April 2001. As a result of the contract expiration, we no longer transport MTBE through our Products Pipeline System. The refined products average rate per barrel decreased 9% from the prior year due to the impact of the Midwest origin point for volumes received from Centennial, which was partially offset by decreased short-haul MTBE volumes delivered, and higher market-based tariff rates, which went into effect in July 2001.

Revenues from LPGs transportation decreased $3.2 million for the year ended December 31, 2002, compared with the year ended December 31, 2001, primarily due to decreased deliveries of propane in the upper Midwest and Northeast market areas attributable to warmer than normal weather in the first quarter of 2002. The decrease was also due to lower prices from competing Canadian and mid-continent propane supply as compared to propane originating from the Gulf Coast. Total LPGs volumes delivered increased 1% as a result of increased short-haul deliveries to a petrochemical facility on the upper Texas Gulf Coast. The LPGs average rate per barrel decreased 6% from the prior year as a result of a decreased percentage of long-haul deliveries during the year ended December 31, 2002.

Revenues generated from Mont Belvieu operations increased $1.1 million during the year ended December 31, 2002, compared with the year ended December 31, 2001, as a result of increased storage revenue and receipt revenue. Mont Belvieu shuttle volumes delivered increased 25% during the year ended December 31, 2002, compared with the year ended December 31, 2001, due to increased petrochemical demand. The Mont Belvieu average rate per barrel decreased 17% during the year ended December 31, 2002, as a result of increased contract shuttle deliveries, which generally carry lower rates.

Other operating revenues decreased $2.8 million during the year ended December 31, 2002, compared with the year ended December 31, 2001, primarily due to lower propane deliveries from our Providence import facility, lower refined products storage revenue, lower margins on product inventory sales and lower revenues from product location exchanges which are used to position product in the Midwest market area. These decreases were partially offset by increased refined products and LPGs loading fees.

Costs and expenses increased $13.9 million for the year ended December 31, 2002, compared with the year ended December 31, 2001. The increase was comprised of an increase of $11.8 million in operating, general and administrative expenses, an increase of $3.4 million in depreciation and amortization expense and an increase of $3.1 million in taxes – other than income taxes. These increases were partially offset by a decrease of $4.4 million in operating fuel and power expense. Operating, general and administrative expenses increased primarily due to higher pipeline maintenance expenses, increased consulting and contract services, increased labor costs and increased general and administrative supplies expense. Depreciation expense increased from the prior year because of assets placed in service during 2002. Taxes – other than income taxes increased as a result of a higher property base in 2002. Operating fuel and power expense decreased as a result of decreased long-haul volumes delivered related to Midwest volumes received from Centennial and lower power costs.

Net losses from equity investments totaled $6.8 million during the year ended December 31, 2002, due to pre-operating expenses and start-up costs of Centennial, which commenced operations in early April 2002.

Other income – net decreased $0.7 million for the year ended December 31, 2002, compared with the year ended December 31, 2001. The decrease was primarily due to lower interest income earned on cash investments.

The Downstream Segment is dependent in large part on the demand for refined petroleum products in the markets served by its pipelines. Reductions in that demand adversely affect the pipeline business of the Downstream Segment. Market demand varies based upon the different end uses of the refined products shipped in the Downstream Segment. Demand for gasoline, which in recent years has accounted for approximately one-half of the Downstream Segment’s refined products transportation revenues, depends upon price, prevailing economic conditions and demographic changes in the markets served in the Downstream Segment. Weather conditions and governmental policy affect the demand for refined products used in agricultural operations. Demand for jet fuel, which in recent years has accounted for approximately one-quarter of the Downstream Segment’s refined products revenues, depends on prevailing economic conditions and military usage. Propane deliveries are generally sensitive to the weather and meaningful year-to-year variances have occurred and will likely continue to occur.

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

Our Downstream Segment reported earnings before interest of $118.1 million for the year ended December 31, 2001, compared with earnings before interest of $87.1 million for the year ended December 31, 2000. Earnings before interest increased $31.0 million primarily due to an increase of $35.0 million in operating revenues, partially offset by an increase of $2.8 million in costs and expenses, additional losses of $1.1 million from equity investments and a decrease of $0.1 million in other income – net. We discuss the factors influencing these variances below.

Revenues from refined products transportation increased $20.0 million for the year ended December 31, 2001, compared with the year ended December 31, 2000, primarily due to $18.9 million of revenue recognized on the canceled transportation agreement with Pennzoil in 2001 and the recognition of $1.7 million of previously deferred revenue related to the approval of market-based rates during the second quarter of 2001. These increases were partially offset by a 4% decrease in refined products volumes delivered. Deliveries of MTBE decreased 4.3 million barrels as a result of the expiration of contract deliveries to our marine terminal near Beaumont in April

2001. Jet fuel volumes decreased 2.7 million barrels, or 10%, due to reduced air travel demand in the Midwest market areas. The total refined products volume decrease was partially offset by increased distillate demand in the South-Central market areas and increased distillate deliveries at a third-party terminal in Houston, Texas. The refined products average rate per barrel increased 5% from the prior-year period primarily due to an increased percentage of long-haul volumes delivered in 2001.

Revenues from LPGs transportation increased $3.9 million for the year ended December 31, 2001, compared with the year ended December 31, 2000, primarily due to increased propane deliveries in the Midwest that resulted from favorable price differentials of Gulf Coast propane compared with competing Midwest supply sources. Additionally, increased feedstock demand resulted in higher deliveries of isobutane in the Chicago market area. Short-haul deliveries of propane along the upper Texas Gulf Coast decreased 29% from the prior year due to lower petrochemical feedstock demand and operational problems at a petrochemical facility that we serve. The LPGs average rate per barrel increased 5% from the prior year as a result of an increased percentage of long-haul deliveries to the upper Midwest market areas.

Revenues generated from Mont Belvieu operations increased $0.8 million during the year ended December 31, 2001, compared with the year ended December 31, 2000, as a result of increased loading fees, brine service revenue and butane segregation charges, partially offset by lower contract storage revenue. Mont Belvieu shuttle deliveries decreased 15% during the year ended December 31, 2001, compared with the year ended December 31, 2000, due to reduced propane and butane demand for petrochemical feedstock along the upper Texas Gulf Coast. The Mont Belvieu average rate per barrel increased in 2001 as a result of increased non-contract deliveries, which generally carry higher rates.

Other operating revenues increased $10.3 million during the year ended December 31, 2001, compared with the year ended December 31, 2000, primarily due to an increase of $8.9 million in contract petrochemical delivery revenue, which began during the fourth quarter of 2000, increased refined products loading fees, increased propane deliveries from the Providence import facility and increased gains on product sales. These increases were partially offset by lower revenues from product location exchanges which are used to position product in the Midwest market area.

Costs and expenses increased $2.8 million for the year ended December 31, 2001, compared with the year ended December 31, 2000, and were comprised of an increase of $2.1 million in operating, general and administrative expenses, an increase of $1.2 million in operating fuel and power expense and an increase of $1.0 million in depreciation and amortization expense, partially offset by a decrease of $1.5 million in taxes – other than income taxes. The increase in operating, general and administrative expenses was primarily due to increased employee benefit costs, increased supplies and services and environmental remediation expenses, partially offset by the March 2000 write-off of project evaluation costs related to the proposed pipeline construction from Beaumont to Little Rock, Arkansas, and decreased product measurement losses. Operating fuel and power expense increased as a result of higher rates charged by electric utilities and increased long-haul volumes delivered. The increase in depreciation expense from the prior year period resulted from assets placed in service during the fourth quarter of 2000. The decrease in taxes – other than income taxes resulted from actual property taxes being lower than previously estimated.

Net losses from equity investments totaled $1.1 million during the year ended December 31, 2001, due primarily to pre-operating expenses of Centennial.

Other income – net decreased $0.1 million during the year ended December 31, 2001, compared with the year ended December 31, 2000, primarily due to lower interest income earned on cash investments.

Upstream Segment

We calculate the margin of the Upstream Segment as revenues generated from the sale of crude oil and lubrication oil, and transportation of crude oil, less the costs of purchases of crude oil and lubrication oil. Margin is a more meaningful measure of financial performance than operating revenues and operating expenses due to the significant fluctuations in revenues and expenses caused by variations in the level of marketing activity and prices

for products marketed. Margin and volume information for the years ended December 31, 2002, 2001 and 2000 is presented below (in thousands, except per barrel and per gallon amounts):

	Years Ended December 31,			Percentage Increase (Decrease)	
	2002	2001	2000	2002	2001
Margins:					
Crude oil transportation	$ 39,025	$ 34,121	$ 23,486	14%	45%
Crude oil marketing	22,914	22,502	14,281	2%	58%
Crude oil terminaling	10,124	10,163	4,554	—	123%
Lubrication oil sales	4,826	4,127	3,503	17%	18%
Total margin	$ 76,889	$ 70,913	$ 45,824	8%	55%
Total barrels:					
Crude oil transportation	82,813	78,714	46,225	5%	70%
Crude oil marketing	139,182	159,477	107,607	(13%)	48%
Crude oil terminaling	127,376	121,932	56,473	5%	116%
Lubrication oil volume (total gallons)	9,648	8,769	7,974	10%	10%
Margin per barrel:					
Crude oil transportation	$ 0.471	$ 0.434	$ 0.508	9%	(15%)
Crude oil marketing	$ 0.165	$ 0.141	$ 0.133	17%	6%
Crude oil terminaling	$ 0.080	$ 0.083	$ 0.081	(4%)	3%
Lubrication oil margin (per gallon):	$ 0.500	$ 0.471	$ 0.439	6%	7%

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Our Upstream Segment reported earnings before interest of $46.7 million for the year ended December 31, 2002, compared with earnings before interest of $38.0 million for the year ended December 31, 2001. Earnings before interest increased $8.7 million primarily due to an increase of $6.0 million in margin, a decrease of $2.9 million in costs and expenses (excluding purchases of crude oil and lubrication oil), an increase of $0.3 million in other income – net and an increase of $0.2 million in equity earnings of Seaway. These increases were partially offset by a decrease of $0.7 million in other operating revenues. We discuss the factors influencing these variances below.

Our margin increased $6.0 million during the year ended December 31, 2002, compared with the year ended December 31, 2001. Crude oil transportation margin increased $4.9 million primarily due to volumes transported on the pipeline assets acquired from Valero in March 2001 and higher revenues on our Basin, Red River and West Texas systems. Crude oil terminaling margin remained constant between years as a result of higher volumes at Midland and our Red River system, offset by lower volumes at Cushing and on our Basin system. Lubrication oil sales margin increased $0.7 million due to increased volumes related to the acquisition of a lubrication oil distributor in Amarillo, Texas, in the fourth quarter of 2001. Crude oil marketing margin increased $0.4 million primarily due to increased volumes marketed, renegotiated supply contracts and lower trucking expenses.

Other operating revenues of the Upstream Segment decreased $0.7 million during the year ended December 31, 2002, compared with the year ended December 31, 2001, due to lower revenues from documentation and other services to support customers' trading activity at Midland and Cushing.

Costs and expenses, excluding expenses associated with purchases of crude oil and lubrication oil, decreased $2.9 million during the year ended December 31, 2002, compared with the year ended December 31, 2001. Operating, general and administrative expenses decreased $3.8 million from the prior year due to $4.4 million of environmental costs recognized in 2001 and decreased labor related costs, partially offset by increased general and administrative supplies and services expense and environmental costs recognized in 2002, primarily related to the Shelby site (see Note 17. Commitments and Contingencies in Notes to the Consolidated Financial Statements). Depreciation and amortization expense increased $1.9 million due to increased depreciation expense on the assets

acquired from Valero and from the acquisition of a lubrication oil distributor in Amarillo, Texas, partially offset by lower amortization costs from the adoption of SFAS 142 effective January 1, 2002, in which goodwill and excess investment are no longer being amortized. Taxes – other than income taxes decreased $1.6 million due to reductions in property tax accruals. These decreases were partially offset by an increase of $0.6 million in operating fuel and power costs attributed to higher transportation volumes.

Equity earnings in Seaway for the year ended December 31, 2002, increased $0.2 million from the year ended December 31, 2001, due to higher third party transportation volumes. This increase was partially offset by our portion of equity earnings being reduced from 80% to 60% on a pro rated basis in 2002 (averaging approximately 67% for the year ended December 31, 2002). Equity earnings in Seaway were affected in 2002 as a result of the reduction of the sharing percentages of TCTM under the Seaway partnership agreement. Beginning in June 2002, our participation in Seaway decreased from 80% of revenue and expense of Seaway to 60%. See Items 1 and 2. Business and Properties, "Upstream Segment – Gathering, Transportation, Marketing and Storage of Crude Oil" for a more detailed discussion.

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

Our Upstream Segment reported earnings before interest of $38.0 million for the year ended December 31, 2001, compared with earnings before interest of $26.4 million for the year ended December 31, 2000. Earnings before interest increased $11.6 million primarily due to an increase of $25.1 million in margin, an increase of $6.4 million in other operating revenues, an increase of $6.3 million in equity earnings of Seaway and an increase of $1.7 million in other income – net. These increases were partially offset by an increase of $27.9 million in costs and expenses (excluding purchases of crude oil and petroleum products). We discuss the factors influencing these variances below.

Our margin increased $25.1 million during the year ended December 31, 2001, compared with the year ended December 31, 2000. Crude oil transportation margin increased $10.8 million primarily due to a full year benefit from the ARCO assets acquired in July 2000 and higher volumes on the Red River and South Texas systems, which benefited from increased regional crude oil production and pipeline assets acquired from Valero in March 2001. Crude oil marketing margin increased $8.3 million primarily due to volumes transported by Seaway on behalf of the Upstream Segment. The transportation revenues associated with these volumes resulted in $10.1 million included as a component of crude oil marketing margin when consolidating the Upstream Segment's equity ownership in Seaway. Lower margins on other crude oil volumes marketed partially offset the increase in crude oil marketing margin. Crude oil terminaling margin increased $5.2 million as a result of pumpover volumes at Midland and Cushing, related to the ARCO assets acquired in July 2000. Margin contributed from lubrication oil sales increased $0.6 million primarily due to increased volumes and increased rates on the margin realized per gallon.

Other operating revenue of the Upstream Segment increased $6.4 million during the year ended December 31, 2001, compared with the year ended December 31, 2000. The increase is attributable to revenue from documentation and other services to support customer trading activity at Midland and Cushing. These revenues were added to our business on July 20, 2000, with the acquired ARCO assets.

Costs and expenses, excluding expenses associated with purchases of crude oil and lubrication oil, increased $27.9 million during the year ended December 31, 2001, compared with the year ended December 31, 2000. The increase was comprised of an increase of $20.5 million in operating, general and administrative expenses, an increase of $3.0 million in depreciation and amortization expense, an increase of $3.9 million in taxes – other than income taxes and an increase of $0.6 million in operating fuel and power expense. The increase in operating, general and administrative expenses was primarily attributable to operating expenses of the acquired assets from ARCO, DEFS and Valero, $4.4 million of expense recorded in 2001 for environmental remediation, increased labor related costs and increased general and administrative supplies and services expense. The increases in depreciation and amortization expense, taxes – other than income taxes and operating fuel and power expense were primarily attributable to assets acquired.

Equity earnings in Seaway increased $6.3 million during the year ended December 31, 2001, compared with the year ended December 31, 2000, due to the full year contribution to earnings during 2001.

Midstream Segment

The following table presents volume and average rate information for the years ended December 31, 2002, 2001 and 2000:

	Years Ended December 31,			Percentage Increase (Decrease)	
	2002	2001	2000	2002	2001
Gathering – Natural Gas:					
Million cubic feet	340,697	45,496	—	649%	—
Million British thermal units (“MMBtu”)	353,663	50,650	—	598%	—
Average fee per MMBtu	$ 0.255	$ 0.174	—	47%	—
Transportation – NGLs:					
Thousand barrels	53,980	21,538	5,201	151%	314%
Average rate per barrel	$ 0.720	$ 0.961	$1.348	(25%)	(29%)
Fractionation – NGLs:					
Thousand barrels	4,072	4,078	4,078	—	—
Average rate per barrel	$ 1.824	$ 1.813	$1.828	1%	(1%)
Sales – Condensate:					
Thousand barrels	80.0	16.2	—	394%	—
Average rate per barrel	$ 25.39	$ 19.91	—	28%	—

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Our Midstream Segment reported earnings before interest of $61.0 million for the year ended December 31, 2002, compared with earnings before interest of $15.9 million for the year ended December 31, 2001. Earnings before interest increased $45.1 million due to an increase of $101.6 million in operating revenues and an increase of $0.3 million in other income – net, partially offset by an increase of $56.8 million in costs and expenses. We discuss the factors influencing these variances below.

Operating revenues increased $101.6 million during the year ended December 31, 2002, compared with the year ended December 31, 2001, due to an increase of $81.2 million in natural gas gathering revenues, an increase of $18.2 million in NGL transportation revenues and an increase of $2.2 million in other revenues. Natural gas gathering revenues from the Jonah system increased $41.3 million and volumes delivered increased 202.9 billion cubic feet during the year ended December 31, 2002, due to a full year’s contribution to earnings from Jonah in 2002. The Jonah system was acquired on September 30, 2001. Natural gas gathering revenues from the Val Verde system, which was acquired on June 30, 2002, totaled $39.9 million and volumes delivered totaled 92.3 billion cubic feet during the year ended December 31, 2002. Other revenues increased $2.2 million primarily due to sales of gas condensate from the Jonah system. NGL transportation revenues increased $18.2 million, primarily due to the acquisition of the Chaparral NGL system on March 1, 2002, partially offset by lower revenues on a take-or-pay contract on the Dean pipeline system that was in effect until the bankruptcy of Enron Corp. in December 2001. The decrease in the NGL transportation average rate per barrel resulted from the cancellation of the Enron Corp. take-or-pay contract and a lower average rate per barrel on volumes transported on Chaparral.

Costs and expenses increased $56.8 million during the year ended December 31, 2002, compared with the year ended December 31, 2001, due to an increase of $34.8 million in depreciation and amortization expense, an increase of $15.5 million in operating, general and administrative expense, an increase of $4.1 million in operating fuel and power costs and an increase of $2.4 million in taxes – other than income taxes. Depreciation and amortization expense increased $34.6 million due to the Jonah, Chaparral and Val Verde assets acquired on September 30, 2001, March 1, 2002, and June 30, 2002, respectively. Operating, general and administrative

expense increased $15.5 million due to an increase of $17.6 million from assets acquired, an increase of $2.2 million attributable to higher general and administrative labor and supplies expense, partially offset by decreased operating expenses. Operating, general and administrative expenses for the year ended December 31, 2001, included a $4.3 million reserve for a doubtful receivable balance under a transportation contract with an Enron Corp. subsidiary. Operating fuel and power costs and taxes – other than income taxes increased $4.1 million and $2.4 million, respectively, due to the assets acquired in 2001 and 2002.

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

Our Midstream Segment reported earnings before interest of $15.9 million for the year ended December 31, 2001, compared with earnings before interest of $9.1 million for the year ended December 31, 2000. Earnings before interest increased $6.8 million due to an increase of $22.8 million in operating revenues, partially offset by an increase of $15.8 million in costs and expenses and a decrease of $0.2 million in other income – net. We discuss the factors influencing these variances below.

Operating revenues increased $22.8 million during the year ended December 31, 2001, compared with the year ended December 31, 2000. Operating revenues for the year ended December 31, 2001, for Jonah were $9.1 million. Natural gas gathering revenues totaled $8.8 million from volumes delivered of 45.5 billion cubic feet. An additional $0.3 million was generated from the sale of 16,180 barrels of condensate liquid to an Upstream Segment marketing affiliate. Other revenues increased $0.3 million due to sales of gas condensate from the Jonah system, which was acquired on September 30, 2001. NGL transportation revenues increased $13.7 million primarily due to the acquisition of the Panola system on December 31, 2000, partially offset by decreased volumes on the Dean pipeline system in South Texas.

Costs and expenses increased $15.8 million during the year ended December 31, 2001, compared with the year ended December 31, 2000. Costs and expenses for Jonah were $6.0 million and were comprised of $4.5 million of depreciation and amortization expense, $1.4 million of operating, general and administrative expense and $0.1 million of taxes – other than income taxes. Costs and expenses also included $4.1 million due to the acquisition of the Panola system on December 31, 2000, comprised of $1.4 million of operating, general and administrative expense, $2.2 million of depreciation and amortization expense and $0.5 million of taxes – other than income taxes. The increase in costs and expenses also included a $4.3 million reserve for a doubtful receivable balance under a transportation contract with an Enron Corp. subsidiary. The remaining increase was due to increased labor related costs and increased general and administrative supplies and services expense.

Interest Expense and Capitalized Interest

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Interest expense increased $4.5 million during the year ended December 31, 2002, compared with the year ended December 31, 2001, primarily due to higher outstanding debt balances used for capital expenditures and to finance the acquisition of assets acquired in the Midstream Segment, partially offset by lower LIBOR rates in effect during the year ended December 31, 2002.

Capitalized interest increased $0.3 million during the year ended December 31, 2002, compared with the year ended December 31, 2001, due to interest capitalized on the investment during the construction of the Jonah expansion and increased balances during 2002 on construction work-in-progress.

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

Interest expense increased $17.1 million during the year ended December 31, 2001, compared with the year ended December 31, 2000, primarily due to higher outstanding debt balances used to finance the acquisition of assets acquired in the Midstream and Upstream Segments. These increases were partially offset by lower interest

rates on borrowings under the variable-rate credit facilities and the favorable impact of the fixed-to-floating interest rate swap on the TE Products Senior Notes, effective October 4, 2001.

Capitalized interest decreased $0.6 million during the year ended December 31, 2001, compared with the year ended December 31, 2000, due to the completion of the petrochemical pipelines from Mont Belvieu to Port Arthur during the fourth quarter of 2000. This decrease was partially offset by increased balances on construction work-in-progress in the Upstream and Midstream Segments.

Financial Condition and Liquidity

Net cash from operations totaled $234.9 million for the year ended December 31, 2002. This cash was made up of $203.9 million of income before charges for depreciation and amortization and $31.0 million of cash provided by working capital changes. This compares with net cash from operations of $169.2 million for the year ended December 31, 2001, comprised of $155.0 million of income before charges for depreciation and amortization and $14.2 million of cash provided by working capital changes. Net cash from operations for the year ended December 31, 2000, totaled $108.0 million and was comprised of $112.5 million of income before charges for depreciation and amortization, partially offset by $4.5 million of cash used for working capital charges. Net cash from operations for the years ended December 31, 2002, 2001 and 2000 included interest payments of $48.9 million, $61.5 million and $36.8 million, respectively.

Cash flows used in investing activities totaled $724.7 million during the year ended December 31, 2002, and were comprised of $7.3 million for the final purchase price adjustments on the acquisition of Jonah, $133.4 million of capital expenditures, $10.9 million of cash contributions for our ownership interest in Centennial, $132.4 million for the purchase of the Chaparral NGL system on March 1, 2002, and $444.2 million for the purchase of Val Verde on June 30, 2002. These uses of cash were partially offset by $3.5 million in cash proceeds from the sale of assets. Cash flows used in investing activities totaled $557.9 million during the year ended December 31, 2001, and were comprised of $359.8 million for the purchase of Jonah on September 30, 2001, $107.6 million of capital expenditures, $65.0 million of cash contributions for our ownership interest in Centennial, $20.0 million for the purchase of assets from Valero on March 1, 2001, and $11.0 million paid in October 2001, for the final purchase price settlement related to the previously acquired ARCO assets. These uses of cash were partially offset by $1.3 million of cash received from the sale of vehicles and $4.2 million received on matured cash investments. Cash flows used in investing activities totaled $494.2 million during the year ended December 31, 2000, and were comprised of $322.6 million for the purchase of the ARCO assets, $99.5 million for the purchase of NGL and crude oil systems in East Texas and North Texas, $68.5 million of capital expenditures, $5.0 million of cash contributions for our ownership interest in Centennial and $2.0 million of cash investments. These uses of cash were partially offset by $3.4 million received from matured cash investments. Capital expenditures during the year ended December 31, 2000, included $29.9 million of spending for construction of the petrochemical pipelines between our terminals in Mont Belvieu and Port Arthur.

Cash flows provided by financing activities totaled $495.3 million during the year ended December 31, 2002, and were comprised of $675.0 million in proceeds from term and revolving credit facilities; $497.8 million from the issuance in February 2002 of our 7.625% Senior Notes due 2012, partially offset by debt issuance costs of $7.0 million; $372.5 million from the issuance of 13.4 million Limited Partner Units during the year ended December 31, 2002, and $7.6 million of related General Partner contributions; and $44.9 million of proceeds from the termination of our interest rate swaps on our 7.625% Senior Notes due 2012. These sources of cash during the year ended December 31, 2002, were partially offset by $943.7 million of repayments on our term and revolving credit facilities and $151.8 million of distributions to Limited Partner unitholders. Cash flows provided by financing activities totaled $387.1 million during the year ended December 31, 2001, and were comprised of $546.1 million of proceeds from term and revolving credit facilities, partially offset by debt issuance costs of $2.6 million; and $234.7 million from the issuance of 7.8 million Limited Partner Units during the year ended December 31, 2001, and $4.8 million of related General Partner contributions. These sources of cash during the year ended December 31, 2001 were partially offset by $291.5 million of repayments on our term and revolving credit facilities and $104.4 million of distributions to Limited Partner unitholders. Cash flows provided by financing activities totaled $380.7 million during the year ended December 31, 2000, and were comprised of $552.0 million in proceeds from term and

revolving credit facilities, partially offset by debt issuance costs of $7.1 million; and $88.2 million from the issuance of 3.7 million Limited Partner Units during the year ended December 31, 2000, and $1.8 million of related General Partner contributions. These sources of cash during the year ended December 31, 2000, were partially offset by $172.0 million of repayments on our term and revolving credit facilities and $82.2 million of distributions to Limited Partner unitholders.

In August 2000, TE Products entered into agreements with PEPL and Marathon to form Centennial. Centennial owns an interstate refined petroleum products pipeline extending from the upper Texas Gulf Coast to Illinois. During the years ended December 31, 2002 and 2001, TE Products contributed approximately $10.9 million and $70.0 million, respectively, for its investment in Centennial. These amounts are included in our equity investment balance at December 31, 2002 and 2001. Through February 9, 2003, each original participant owned a one-third interest in Centennial. On February 10, 2003, TE Products and Marathon each acquired an additional 16.7% interest in Centennial, bringing their ownership interest to 50% each. Excluding TE Products' purchase of its additional ownership interest of 16.7% on February 10, 2003, we expect to contribute an additional $10.0 million to Centennial in 2003.

Centennial entered into credit facilities totaling $150.0 million, and as of December 31, 2002, $150.0 million was outstanding under those credit facilities. The proceeds were used to fund construction and conversion costs of its pipeline system. Each of the participants in Centennial, including TE Products, originally guaranteed one-third of Centennial's debt, up to a maximum amount of $50.0 million. During the third quarter of 2002, PEPL, one of the participants in Centennial, was downgraded by Moody's and Standard & Poors to below investment grade, which resulted in PEPL being in default under its portion of the Centennial guaranty. Effective September 27, 2002, TE Products and Marathon increased their guaranteed amounts to one-half of the debt of Centennial, up to a maximum amount of $75.0 million each, to avoid a default on the Centennial debt. As compensation to TE Products and Marathon for providing their additional guarantees, PEPL was required to pay interest at a rate of 4% per annum to each of TE Products and Marathon on the portion of the additional guaranty that each had provided for PEPL. In connection with the acquisition of the additional interest in Centennial on February 10, 2003, the guaranty agreement between TE Products, Marathon and PEPL was terminated. TE Products' guaranty of up to a maximum of $75.0 million of Centennial's debt remains in effect.

In February 2000, we entered into a joint marketing and development alliance with Louis Dreyfus in which our Mont Belvieu LPGs storage and transportation shuttle system services were jointly marketed by Louis Dreyfus and TE Products. The purpose of the alliance was to expand services to the upper Texas Gulf Coast energy marketplace by increasing pipeline throughput and the mix of products handled through the existing system and establishing new receipt and delivery connections. The alliance was a service-oriented, fee-based venture with no commodity trading activity. TE Products operated the facilities for the alliance. Under the alliance, Louis Dreyfus invested $6.1 million for expansion projects at Mont Belvieu. The alliance also stipulated that if certain earnings thresholds were achieved, a partnership between TE Products and Louis Dreyfus was to be created effective January 1, 2003. All terms and earnings thresholds have been met; therefore, we will be contributing our Mont Belvieu assets to the newly formed partnership. The economic terms of the partnership are the same as those under the joint development and marketing alliance. TE Products will continue to operate the facilities for the partnership. The net book value of the Mont Belvieu assets that we are contributing to the partnership is approximately $68.2 million. Our interest in the partnership will be accounted for as an equity investment.

Credit Facilities and Interest Rate Swap Agreements

On July 14, 2000, we entered into a $75.0 million term loan and $475.0 million revolving credit facility ("Three Year Facility"). On July 21, 2000, we borrowed $75.0 million under the term loan and $340.0 million under the Three Year Facility. The funds were used to finance the acquisition of the ARCO assets and to refinance existing bank credit facilities, other than the Senior Notes. The term loan was repaid from proceeds received from the issuance of additional Limited Partner Units on October 25, 2000. On April 6, 2001, the Three Year Facility was amended to provide for revolving borrowings of up to $500.0 million for a period of three years including the issuance of letters of credit of up to $20.0 million. The interest rate is based, at our option, on either the lender's base rate plus a spread, or LIBOR plus a spread in effect at the time of the borrowings. The credit agreement for the Three Year Facility contains restrictive financial covenants that require us to maintain a minimum level of partners'

capital as well as maximum debt-to-EBITDA (earnings before interest expense, income tax expense and depreciation and amortization expense) and minimum fixed charge coverage ratios. On February 20, 2002, we repaid $115.7 million of the then outstanding balance of the Three Year Facility with proceeds from the issuance of our 7.625% Senior Notes. On March 1, 2002, we borrowed $132.0 million under the Three Year Facility to finance the acquisition of the Chaparral NGL system. On March 22, 2002, we repaid a portion of the Three Year Facility with proceeds we received from the issuance of additional Limited Partner Units (see Note 11. Partners' Capital). To facilitate our financing of a portion of the purchase price of the Val Verde assets, on June 27, 2002, the Three Year Facility was amended to increase the maximum permitted debt-to-EBITDA ratio covenant to allow us to incur additional indebtedness. For the twelve month period ending June 30, 2002, the maximum permitted ratio was 5.5-to-1 on a pro forma basis. For the twelve month period ending September 30, 2002, the maximum permitted ratio was 5.0-to-1 on a pro forma basis. At December 31, 2002, the maximum permitted debt-to-EBITDA ratio under our revolving credit facility returned to its pre-amendment level of 4.5-to-1. We then drew down the existing capacity of the Three Year Facility and acquired the Val Verde assets. During the fourth quarter of 2002, we repaid $68.0 million of the outstanding balance of the Three Year Facility with proceeds from our November 2002 equity offering and proceeds from the termination of our interest rate swaps. At December 31, 2002, $432.0 million was outstanding under the Three Year Facility at a weighted average interest rate of 2.5%. As of December 31, 2002, we were in compliance with the covenants contained in this credit agreement.

On April 6, 2001, we entered into a 364-day, $200.0 million revolving credit agreement ("Short-term Revolver"). The interest rate is based, at our option, on either the lender's base rate plus a spread, or LIBOR plus a spread in effect at the time of the borrowings. The credit agreement contains restrictive financial covenants that require us to maintain a minimum level of partners' capital as well as maximum debt-to-EBITDA and minimum fixed charge coverage ratios. On March 28, 2002, the Short-term Revolver was extended for an additional period of 364 days, ending in March 2003. To facilitate our financing of a portion of the purchase price of the Val Verde assets, on June 27, 2002, the Short-term Revolver was amended to increase the maximum debt-to-EBITDA ratio covenant to allow us to incur additional indebtedness. For the twelve month period ending June 30, 2002, the maximum permitted ratio was 5.5-to-1 on a pro forma basis. For the twelve month period ending September 30, 2002, the maximum permitted ratio was 5.0-to-1 on a pro forma basis. At December 31, 2002, the maximum permitted debt-to-EBITDA ratio under our revolving credit facility returned to its pre-amendment level of 4.5-to-1. We then drew down $72.0 million under the Short-term Revolver. In the fourth quarter of 2002, we repaid the existing amounts outstanding under the Short-term Revolver with proceeds we received from the issuance of Limited Partner Units in November and December 2002. At December 31, 2002, no amounts were outstanding under the Short-term Revolver. As of December 31, 2002, we were in compliance with the covenants contained in this credit agreement. In February 2003, we gave notice that we will not renew the Short-term Revolver. As a result, the facility will expire on March 27, 2003.

On September 28, 2001, we entered into a $400.0 million credit facility with SunTrust Bank ("Bridge Facility") payable in June 2002. We borrowed $360.0 million under the Bridge Facility to acquire the Jonah assets (see Note 5. Acquisitions). During the fourth quarter of 2001, we repaid $160.0 million of the outstanding principal from proceeds received from the issuance of Limited Partner Units in November 2001. On February 5, 2002, we drew down an additional $15.0 million under the Bridge Facility. On February 20, 2002, we repaid the outstanding balance of the Bridge Facility of $215.0 million with proceeds from the issuance of the 7.625% Senior Notes and canceled the facility.

On February 20, 2002, we received $494.6 million in net proceeds, after underwriting discount, from the issuance of $500.0 million principal amount of 7.625% Senior Notes due 2012. The 7.625% Senior Notes were issued at a discount of $2.2 million and are being accreted to their face value over the term of the notes. We used the proceeds from the offering to reduce a portion of the outstanding balances of our credit facilities, described above, including those issued in connection with the acquisition of Jonah. The Senior Notes may be redeemed at any time at our option with the payment of accrued interest and a make-whole premium determined by discounting remaining interest and principal payments using a discount rate equal to the rate of the United States Treasury securities of comparable remaining maturity plus 35 basis points. The indenture governing the 7.625% Senior Notes contains covenants, including, but not limited to, covenants limiting the creation of liens securing indebtedness and sale and leaseback transactions. However, the indenture does not limit our ability to incur additional indebtedness. As of December 31, 2002, we were in compliance with the covenants of these Senior Notes.

On June 27, 2002, we entered into a $200.0 million six-month term loan with SunTrust Bank (“Six-Month Term Loan”) payable in December 2002. We borrowed $200.0 million under the Six-Month Term Loan to acquire the Val Verde assets (see Note 5. Acquisitions). The interest rate was based, at our option, on either the lender’s base rate plus a spread, or LIBOR plus a spread in effect at the time of the borrowings. The credit agreement contained restrictive financial covenants that required us to maintain a minimum level of partners’ capital as well as maximum debt-to-EBITDA and minimum fixed charge coverage ratios. On July 11, 2002, we repaid $90.0 million of the outstanding principal from proceeds primarily received from the issuance of Limited Partner Units in July 2002. On September 10, 2002, we repaid the remaining outstanding balance of $110.0 million with proceeds received from the issuance of Limited Partner Units in September 2002 (see Note 11. Partners’ Capital) and canceled the facility.

On January 30, 2003, we received $197.3 million in net proceeds, after underwriting discount, from the issuance of $200.0 million principal amount of 6.125% Senior Notes due 2013. The 6.125% Senior Notes were issued at a discount of $1.4 million and will be accreted to their face value over the term of the notes. We used $182.0 million of the proceeds from the offering to reduce the outstanding principal on the Three Year Facility to $250.0 million. The balance of the proceeds of $15.3 million was used for general purposes. The Senior Notes may be redeemed at any time at our option with the payment of accrued interest and a make-whole premium determined by discounting remaining interest and principal payments using a discount rate equal to the rate of the United States Treasury securities of comparable remaining maturity plus 35 basis points. The indenture governing our 6.125% Senior Notes contains covenants, including, but not limited to, covenants limiting the creation of liens securing indebtedness and sale and leaseback transactions. However, the indenture does not limit our ability to incur additional indebtedness.

The following table summarizes our credit facilities as of December 31, 2002 (in millions):

	As of December 31, 2002		
Description:	**Outstanding Principal**	**Unused Borrowing Capacity**	**Maturity Date**
Short-term Revolver (1)	$ —	$200.0	March 2003
Three Year Facility	432.0	68.0	April 2004
6.45% Senior Notes (2)	180.0	—	January 2008
7.625% Senior Notes (2)	500.0	—	February 2012
7.51% Senior Notes (2)	210.0	—	January 2028
Total	$1,322.0	$268.0	

(1) In February 2003, we gave notice that we will not renew the Short-term Revolver.

(2) Our TE Products subsidiary entered into an interest rate swap agreement to hedge its exposure to changes in the fair value of the 7.51% Senior Notes due 2028. At December 31, 2002, the 7.51% Senior Notes include an adjustment to increase the fair value of the debt by $13.6 million related to this interest rate swap agreement. We also entered into interest rate swap agreements to hedge our exposure to changes in the fair value of our 7.625% Senior Notes due 2012. At December 31, 2002, the 7.625% Senior Notes include a deferred gain, net of amortization, from previous interest rate swap terminations of $44.3 million. At December 31, 2002, our 6.45% Senior Notes and our 7.625% Senior Notes include $2.2 million of unamortized debt discounts. The fair value adjustments, the deferred gain adjustment and the unamortized debt discounts are excluded from this table.

Distributions and Issuance of Additional Limited Partner Units

We paid cash distributions of $151.9 million ($2.35 per Unit), $104.4 million ($2.15 per Unit) and $82.2 million ($2.00 per Unit), during each of the years ended December 31, 2002, 2001 and 2000, respectively. Additionally, on January 16, 2003, we declared a cash distribution of $0.60 per Limited Partner Unit and Class B

Unit for the quarter ended December 31, 2002. The distribution of $46.5 million was paid on February 7, 2003, to unitholders of record on January 31, 2003.

On February 6, 2001, we sold in an underwritten public offering 2.0 million Limited Partner Units at $25.50 per Unit. The proceeds from the offering, net of underwriting discount, totaled approximately $48.7 million and were used to reduce borrowings under the Three Year Facility. On March 6, 2001, 250,000 Units were sold upon exercise of the underwriters' over-allotment option granted in connection with the offering on February 6, 2001. Proceeds from that sale totaled $6.1 million and were used for general purposes.

On November 14, 2001, we sold in an underwritten public offering 5.5 million Limited Partner Units at $34.25 per Unit. The proceeds from the offering, net of underwriting discount, totaled approximately $180.3 million and were used to repay $160.0 million under the Bridge Facility that was used to fund the Jonah acquisition. The remaining proceeds were used to finance contributions to Centennial and for other capital expenditures.

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

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

On September 6, 2002, we sold in an underwritten public offering 3.8 million Limited Partner Units at $29.72 per Unit. The proceeds from the offering, net of underwriting discount, totaled approximately $108.1 million and were used to reduce borrowings under our Six-Month Term Loan. On September 19, 2002, 570,000 Units were sold upon exercise of the underwriters' over-allotment option granted in connection with the offering on September 6, 2002. Proceeds from that sale totaled $16.2 million and were used to reduce borrowings under our Short-term Revolver.

On November 7, 2002, we sold in an underwritten public offering 3.3 million Limited Partner Units at $26.83 per Unit. The proceeds from the offering, net of underwriting discount, totaled approximately $84.8 million and were used to reduce borrowings under our Short-term Revolver and Three Year Facility. On December 4, 2002, 495,000 Units were sold upon exercise of the underwriters' over-allotment option granted in connection with the offering on November 7, 2002. Proceeds from that sale totaled $12.7 million and were used to reduce borrowings under our Short-term Revolver and Three Year Facility.

Future Capital Needs and Commitments

We estimate that capital expenditures, excluding acquisitions, for 2003 will be approximately $55.0 million (which includes $3.6 million of capitalized interest). We expect to use approximately $18.4 million for revenue generating projects. Capital spending on revenue generating projects will include approximately $7.5 million for the expansion of our pumping capacity of LPGs into the Northeast markets, approximately $1.9 million for expansion of our Downstream Segment's deliverability capacity, $4.0 million to expand Upstream Segment facilities and approximately $5.0 million for the expansion of Midstream assets. We expect to spend approximately $26.0 million to sustain existing operations, of which approximately $19.3 million will be for Downstream Segment pipeline projects, including the replacement of storage tanks, pipeline rehabilitation projects to comply with regulations enacted by the OPS and the installation of replacement electrical distribution facilities at our Mont Belvieu facilities, $4.8 million for upgrades of our Upstream Segment and $1.9 million of capital expenditures to sustain existing operations on the Midstream Segment. An additional $7.0 million will be expended on system upgrade projects among all of our business segments. We continually review and evaluate potential capital improvements and expansions that would be complementary to our present business segments. These expenditures can vary greatly depending on the magnitude of our transactions. We may finance capital expenditures through internally generated funds, debt or the issuance of additional equity.

As of December 31, 2002, we had a working capital deficit of $6.2 million. In the event of any working capital shortfalls, we have approximately $68.0 million in available borrowing capacity under our Three Year Facility to cover these items.

Our debt repayment obligations consist of payments for principal and interest on (i) outstanding principal amounts under the Three Year Facility due in April 2004 ($432.0 million outstanding at December 31, 2002), (ii) the TE Products Senior Notes, $180.0 million principal amount due January 15, 2008, and $210.0 million principal amount due January 15, 2028, and (iii) our $500.0 million 7.625% Senior Notes due February 15, 2012.

TE Products is contingently liable as guarantor for the lesser of one-half or $75.0 million principal amount (plus interest) of the borrowings of Centennial. We expect to contribute an additional $10.0 million to Centennial in 2003 to provide for its working capital needs. In January 2003, TE Products entered into a pipeline capacity lease agreement with Centennial for a period of five years. On February 10, 2003, we acquired an additional 16.7% ownership interest in Centennial, bringing our ownership percentage to 50%.

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

The following table summarizes our debt repayment obligations and material contractual commitments as of December 31, 2002 (in millions):

	Amount of Commitment Expiration Per Period				
	Total	**Less than 1 Year**	**2-3 Years**	**4-5 Years**	**After 5 Years**
Three Year Facility	$ 432.0	$ —	$432.0	$ —	$ —
6.45% Senior Notes due 2008 (1) (2)	180.0	—	—	—	180.0
7.51% Senior Notes due 2028 (1) (2)	210.0	—	—	—	210.0
7.625% Senior Notes due 2012 (2)	500.0	—	—	—	500.0
Debt subtotal	1,322.0	—	432.0	—	890.0
Centennial cash contributions	10.0	10.0	—	—	—
Operating leases	35.4	9.5	17.0	7.8	1.1
Contractual commitments subtotal	45.4	19.5	17.0	7.8	1.1
Total	$1,367.4	$19.5	$449.0	$7.8	$891.1

(1) Obligations of TE Products.

(2) Our TE Products subsidiary entered into an interest rate swap agreement to hedge its exposure to changes in the fair value of the 7.51% Senior Notes due 2028. At December 31, 2002, the 7.51% Senior Notes include an adjustment to increase the fair value of the debt by $13.6 million related to this interest rate swap agreement. We also entered into interest rate swap agreements to hedge our exposure to changes in the fair value of our 7.625% Senior Notes due 2012. At December 31, 2002, the 7.625% Senior Notes include a deferred gain, net of amortization, from previous interest rate swap terminations of $44.3 million. At December 31, 2002, our 6.45% Senior Notes and our 7.625% Senior Notes include $2.2 million of unamortized debt discounts. The fair value adjustments, the deferred gain adjustments and the unamortized debt discounts are excluded from this table.

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

Sources of Future Capital

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

As of December 31, 2002, we had approximately $268.0 million in combined available borrowing capacity under the Three Year Facility and the Short-term Revolver. In February 2003, we gave notice that we will not renew the Short-term Revolver. As a result, the Short-term Revolver will expire on March 27, 2003.

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

On May 29, 2002, Moody’s Investors Service downgraded our senior unsecured debt rating to Baa3 from Baa2. Our subsidiary, TE Products was also included in this downgrade. These ratings were given with stable outlooks and followed our announcement of the acquisition of Val Verde. The downgrades reflect Moody’s concern that we have a high level of debt relative to many of our peers and that our debt may be continually higher than our long-term targets if we continue to make a series of acquisitions of increasingly larger size. Because of our high distribution rate, we are particularly reliant on external financing to finance our acquisitions. Moody’s indicated that our cash flows are becoming less predictable as a result of our acquisitions and expansion into the crude oil and natural gas gathering businesses. Further reductions in our credit ratings could increase the debt financing costs or possibly reduce the availability of financing. A rating reflects only the view of a rating agency and is not a recommendation to buy, sell or hold any indebtedness. Any rating can be revised upward or downward or withdrawn at any time by a rating agency if it decides that the circumstances warrant such a change. On January 27, 2003, Moody’s reaffirmed the Baa3 ratings on us and our subsidiary, TE Products.

Other Considerations

Credit Risks

Risks of nonpayment and nonperformance by customers are a major consideration in our businesses. Our credit procedures and policies do not fully eliminate customer credit risk. During 2002, several of our customers filed for bankruptcy protection. During the year ended December 31, 2002, we expensed approximately $0.9 million of uncollectible receivables due to customer bankruptcies and other customer nonpayments. In 2001, we expensed a receivable for transportation fees of approximately $4.3 million, or approximately $0.09 per Limited Partner and Class B Unit because of the bankruptcy of Enron Corp. and certain of its subsidiaries in December 2001.

Terrorist Threats

On September 11, 2001, the United States was the target of terrorist attacks of unprecedented scale. Since the September 11 attacks, the United States government has issued warnings that energy assets, specifically the nation’s pipeline infrastructure, could be a future target of terrorist organizations. These developments have subjected our operations to increased risks. Any terrorist attack on our facilities, customers’ facilities and, in some cases, those of other pipelines, could have a material adverse effect on our business. We have increased security initiatives and are working with various governmental agencies to minimize risks associated with additional terrorist attacks.

Environmental

Our operations are subject to federal, state and local laws and regulations governing the discharge of materials into the environment. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, imposition of injunctions delaying or prohibiting certain activities and the need to perform investigatory and remedial activities. Although we believe our operations are in material compliance with applicable environmental laws and regulations, risks of significant costs and liabilities are inherent in pipeline operations, and we cannot assure you that significant costs and liabilities will not be incurred. Moreover, it is possible that other developments, such as increasingly strict environmental laws and regulations and enforcement policies thereunder, and claims for damages to property or persons resulting from our operations, could result in substantial costs and liabilities to us. We believe that changes in environmental laws and regulations will not have a material adverse effect on our financial position, results of operations or cash flows in the near term.

In 1994, we entered into an Agreed Order with the IDEM that resulted in the implementation of a remediation program for groundwater contamination attributable to our operations at the Seymour terminal. In 1999, the IDEM approved a Feasibility Study, which includes our proposed remediation program. In March 2003, the IDEM issued a Record of Decision formally approving the remediation program. As the Record of Decision has been issued, we will enter into an Agreed Order for the continued operation and maintenance of the remediation program. We have an accrued liability of $0.4 million at December 31, 2002, for future remediation costs at the Seymour terminal. We do not expect that the completion of the remediation program will have a future material adverse effect on our financial position, results of operations or cash flows.

In 1994, the LDEQ issued a compliance order for environmental contamination at our Arcadia, Louisiana, facility. This contamination may be attributable to our operations, as well as adjacent petroleum terminals operated by other companies. In 1999, our Arcadia facility and adjacent terminals were directed by the Remediation Services Division of the LDEQ to pursue remediation of this containment phase. At December 31, 2002, we have an accrued liability of $0.2 million for remediation costs at our Arcadia facility. We do not expect that the completion of the remediation program that we have proposed will have a future material adverse effect on our financial position, results of operations or cash flows.

At December 31, 2002, we had an accrued liability of $5.6 million and a receivable of $4.2 million from DEFS related to various TCTM sites requiring environmental remediation activities. The receivable is based on a contractual indemnity obligation we received in connection with our acquisition of assets from a DEFS affiliate in November 1998. The indemnity relates to future environmental remediation activities attributable to operations of these assets prior to our acquisition. Under this indemnity obligation, we are responsible for the first $3.0 million in specified environmental liabilities, and DEFS is responsible for those environmental liabilities in excess of $3.0 million, up to a maximum amount of $25.0 million. The majority of the receivable from DEFS relates to remediation activities at the Velma crude oil site in Stephens County, Oklahoma. The accrued liability balance at December 31, 2002, also includes an accrual of $2.3 million related to the Shelby crude oil site in Stephens County, Oklahoma. At December 31, 2002, it is uncertain if these costs related to Shelby are covered under the indemnity obligation from DEFS. We are currently in discussions with DEFS regarding these matters. We do not expect that the completion of remediation programs associated with TCTM activities will have a future material adverse effect on our financial position, results of operations or cash flows.

Market-Based Rates

On May 11, 1999, TE Products filed an application with the FERC requesting permission to charge Market-Based Rates for substantially all refined products transportation tariffs. On July 31, 2000, the FERC issued an order granting TE Products Market-Based Rates in certain markets and set for hearing TE Products' application for Market-Based Rates in certain destination markets and origin markets. After the matter was set for hearing, TE Products and the protesting shippers entered into a settlement agreement resolving their respective differences. On April 25, 2001, the FERC issued an order approving the offer of settlement. As a result of the settlement, TE Products recognized approximately $1.7 million of previously deferred transportation revenue in the second quarter of 2001. As a part of the settlement, TE Products withdrew the application for Market-Based Rates to the Little Rock, Arkansas, and Arcadia and Shreveport-Arcadia, Louisiana, destination markets, which are currently subject to

the PPI Index. As a result, we made refunds of approximately $1.0 million in the third quarter of 2001 for those destination markets.

New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 143, *Accounting for Asset Retirement Obligations*. SFAS 143 requires us to record the fair value of an asset retirement obligation as a liability in the period in which we incur a legal obligation for the retirement of tangible long-lived assets. A corresponding asset is also recorded and depreciated over the life of the asset. After the initial measurement of the asset retirement obligation, the liability will be adjusted at the end of each reporting period to reflect changes in the estimated future cash flows underlying the obligation. We will adopt SFAS 143 effective January 1, 2003. Determination of any amounts to be recognized upon adoption is based upon numerous estimates and assumptions, including future retirement costs, future inflation rates and the credit-adjusted risk-free interest rates.

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

The fair value of the asset retirement obligations for our trunk and interstate pipelines and our surface facilities cannot be reasonably estimated, as future dismantlement and removal dates are indeterminate. We will record such asset retirement obligations in the period in which we determine the settlement dates of the retirement obligations. Other assets in which future operating lives may be determinable include our gathering assets in our Midstream and Upstream Segments. However, our rights-of-way agreements, in general, do not require us to remove pipe or otherwise perform restoration upon taking the pipelines permanently out of service. We are continuing to evaluate the effect of SFAS 143 on our Midstream and Upstream gathering assets, but we do not currently anticipate that the adoption of SFAS 143 will have a material impact on our financial position, results of operations or cash flows.

In August 2001, the FASB issued SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS 144 supercedes SFAS No. 121, *Accounting for Long-Lived Assets and For Long-Lived Assets to be Disposed Of*, but retains its fundamental provisions for reorganizing and measuring impairment losses on long-lived assets held for use and long-lived assets to be disposed of by sale. We adopted SFAS 144 effective January 1, 2002. The adoption of SFAS 144 did not have a material effect on our financial position, results of operations or cash flows.

In April 2002, the FASB issued SFAS No. 145, *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections.* SFAS 145 eliminates the requirement to classify gains and losses from the extinguishment of indebtedness as extraordinary, requires certain lease modifications to be treated the same as a sale-leaseback transaction, and makes other non-substantive technical corrections to existing pronouncements. SFAS 145 is effective for fiscal years beginning after May 15, 2002, with earlier adoption encouraged. We are required to adopt SFAS 145 effective January 1, 2003. We do not believe that the adoption of SFAS 145 will have a material effect on our financial position, results of operations or cash flows.

In July 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (“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 146 requires recognition of a liability for a cost associated with an exit or disposal activity

when the liability is incurred, as opposed to when the entity commits to an exit plan under EITF No. 94-3. SFAS 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. We do not believe that the adoption of SFAS 146 will have a material effect on our financial position, results of operations or cash flows.

In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure.* SFAS 148 amends SFAS No. 123, *Accounting for Stock-Based Compensation*, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require prominent disclosure in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on the reported results. The provisions of SFAS 148 are effective for financial statements for fiscal years ending after December 15, 2002. The adoption of SFAS 148 did not affect our financial position, results of operations or cash flows.

In November 2002, the FASB issued Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* ("FIN 45"), which addresses the disclosure to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees. FIN 45 also requires the recognition of a liability by a guarantor at the inception of certain guarantees. FIN 45 requires the guarantor to recognize a liability for the non-contingent component of the guarantee, which is the obligation to stand ready to perform in the event that specified triggering events or conditions occur. The initial measurement of this liability is the fair value of the guarantee at inception. The recognition of the liability is required even it is not probable that payments will be required under the guarantee or if the guarantee was issued with a premium payment or as part of a transaction with multiple elements. We have adopted the disclosure requirements of FIN 45 (see Note 17. Commitments and Contingencies) and will apply the recognition and measurement provisions for all guarantees entered into or modified after December 31, 2002. To date, we have not entered into or modified guarantees pursuant to the provisions of FIN 45.

In January 2003, the FASB issued FASB Interpretation No. 46, *Consolidation of Variable Interest Entities, an interpretation of ARB No. 51* ("FIN 46"). FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. We are required to apply FIN 46 to all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, we are required to apply FIN 46 on July 1, 2003. We do not believe FIN 46 will have a significant impact on our financial position, results of operations or cash flows.

Disclosures About Effects of Transactions with Related Parties

We have no employees and are managed by the General Partner, a wholly owned subsidiary of DEFS. Duke Energy holds an approximate 70% interest in DEFS and ConocoPhillips holds the remaining 30%. See Item 10, Directors and Executive Officers of the Registrant and Item 13, Certain Relationships and Related Transactions for discussion regarding transactions between us and DEFS, Duke Energy and ConocoPhillips.

Forward-Looking Statements

The matters discussed in this Report include "forward-looking statements" within the meaning of various provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934. All statements, other than statements of historical facts, included in this document that address activities, events or developments that we expect or anticipate will or may occur in the future, including such things as estimated future capital expenditures (including the amount and nature thereof), business strategy and measures to implement strategy, competitive strengths, goals, expansion and growth of our business and operations, plans, references to future success, references to intentions as to future matters and other such matters are forward-looking statements. These statements are based on certain assumptions and analyses based on our experience and our perception of historical trends, current conditions and expected future developments as well as other factors we believe are appropriate under the

circumstances. However, whether actual results and developments will conform with our expectations and predictions is subject to a number of risks and uncertainties, including general economic, market or business conditions, the opportunities (or lack thereof) that may be presented to and pursued by us, competitive actions by other pipeline companies, changes in laws or regulations and other factors, many of which are beyond our control. Consequently, all of the forward-looking statements made in this document are qualified by these cautionary statements and we cannot assure you that actual results or developments that we anticipate will be realized or, even if substantially realized, will have the expected consequences to or effect on us or our business or operations.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

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

At December 31, 2002, we had $432.0 million outstanding under our variable interest rate revolving credit agreements. The interest rate is based, at our option, on either the lender's base rate plus a spread or LIBOR plus a spread in effect at the time of the borrowings and is adjusted monthly, bimonthly, quarterly or semiannually. Utilizing the balances of variable interest rate debt outstanding at December 31, 2002, including the effects of hedging activities discussed below, and assuming market interest rates increase 100 basis points, the potential annual increase in interest expense is $1.8 million.

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

At December 31, 2002, TE Products had outstanding $180.0 million principal amount of 6.45% Senior Notes due 2008, and $210.0 million principal amount of 7.51% Senior Notes due 2028 (collectively the "TE Products Senior Notes"). At December 31, 2002, the estimated fair value of the TE Products Senior Notes was approximately $385.8 million. At December 31, 2002, $500.0 million principal amount of the 7.625% Senior Notes due 2012 was outstanding. At December 31, 2002, the estimated fair value of the $500.0 million Senior Notes was approximately $529.1 million.

As of December 31, 2002, TE Products had an interest rate swap agreement in place to hedge its exposure to changes in the fair value of its fixed rate 7.51% TE Products Senior Notes due 2028. We designated this swap agreement as a fair value hedge. The swap agreement has a notional amount of $210.0 million and matures in January 2028 to match the principal and maturity of the TE Products Senior Notes. Under the swap agreement, TE Products pays a floating rate based on a three month U.S. Dollar LIBOR rate, plus a spread, and receives a fixed rate of interest of 7.51%. During the years ended December 31, 2002, and 2001, we recognized reductions in interest expense of $8.6 million and $1.8 million, respectively, related to the difference between the fixed rate and the floating rate of interest on the interest rate swap. During the year ended December 31, 2002, we measured the hedge effectiveness of this interest rate swap and noted that no gain or loss from ineffectiveness was required to be recognized. The fair value of this interest rate swap agreement was a gain of approximately $13.6 million at December 31, 2002, and a loss of approximately $14.6 million at December 31, 2001. Utilizing the balance of the 7.51% TE Products Senior Notes outstanding at December 31, 2002, and including the effects of hedging activities, assuming market interest rates increase 100 basis points, the potential annual increase in interest expense is $2.1 million.

As of December 31, 2002, we had an interest rate swap agreement in place to hedge our exposure to increases in the benchmark interest rate underlying our variable rate revolving credit facility. The term of the interest rate swap matches the maturity of the credit facility. We designated this swap agreement, which hedges

exposure to variability in expected future cash flows attributed to changes in interest rates, as a cash flow hedge. The swap agreement is based on a notional amount of $250.0 million. Under the swap agreement, we pay a fixed rate of interest of 6.955% and receive a floating rate based on a three month U.S. Dollar LIBOR rate. Since this swap is designated as a cash flow hedge, the changes in fair value, to the extent the swap is effective, are recognized in other comprehensive income until the hedged interest costs are recognized in earnings. During the years ended December 31, 2002, and 2001, we recognized increases in interest expense of $12.9 million and $6.8 million, respectively, related to the difference between the fixed rate and the floating rate of interest on the interest rate swap. During the year ended December 31, 2002, we measured the hedge effectiveness of this interest rate swap and noted that no gain or loss from ineffectiveness was required to be recognized. The fair value of the interest rate swap agreement was a loss of approximately $20.1 million and $20.3 million at December 31, 2002, and 2001, respectively. We anticipate that approximately $13.5 million of the fair value will be transferred into earnings over the next twelve months.

On February 20, 2002, we entered into interest rate swap agreements to hedge our exposure to changes in the fair value of our fixed rate 7.625% Senior Notes due 2012. We designated these swap agreements as fair value hedges. The swap agreements had a combined notional amount of $500.0 million and matured in 2012 to match the principal and maturity of the Senior Notes. Under the swap agreements, we paid a floating rate based on a six month U.S. Dollar LIBOR rate, plus a spread, and received a fixed rate of interest of 7.625%. On July 16, 2002, we terminated these interest rate swap agreements. Upon termination, the fair value of the interest rate swap agreements was $25.8 million. From inception of the swap agreements on February 20, 2002, through the termination on July 16, 2002, $7.8 million had been recognized as a reduction to interest expense. The remaining gain of approximately $18.0 million has been deferred as an adjustment to the carrying value of the Senior Notes and is being amortized using the effective interest method as a reduction to future interest expense over the remaining term of the Senior Notes. In the event of early extinguishment of the Senior Notes, any remaining unamortized gain would be recognized in the consolidated statement of income at the time of extinguishment.

Additionally, on July 16, 2002, we entered into new interest rate swap agreements to hedge our exposure to changes in the fair value of our $500.0 million principal amount of 7.625% fixed rate Senior Notes due 2012. We designated these swap agreements as fair value hedges. The swap agreements had a combined notional amount of $500.0 million and matured in 2012 to match the principal and maturity of the Senior Notes. Under these swap agreements, we paid a floating rate based on a six month U.S. Dollar LIBOR rate, plus a spread, which increased by approximately 50 basis points from the previous swap agreements, and received a fixed rate of interest of 7.625%. On December 12, 2002, we terminated these interest rate swap agreements. Upon termination, the fair value of the interest rate swap agreements was $33.5 million. From inception of the swap agreements on July 16, 2002, through the termination on December 12, 2002, $6.6 million had been recognized as a reduction to interest expense. The remaining gain of approximately $26.9 million has been deferred as an adjustment to the carrying value of the Senior Notes and is being amortized using the effective interest method as a reduction to future interest expense over the remaining term of the Senior Notes. In the event of early extinguishment of the Senior Notes, any remaining unamortized gain would be recognized in the consolidated statement of income at the time of extinguishment.

Item 8. ***Financial Statements and Supplementary Data***

Our consolidated financial statements, together with the independent auditors’ report of KPMG LLP, begin on page F-1 of this Report.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

PART III

Item 10. ***Directors and Executive Officers of the Registrant***

We do not have directors or officers. We are managed by the General Partner. Officers and directors of the General Partner have management responsibilities with respect to us. Set forth below is certain information concerning the directors and executive officers of the General Partner. All directors of the General Partner are elected annually by DEFS. All officers serve at the discretion of the directors. None of the officers of the General Partner serve as officers or employees of DEFS or any other parent-affiliated company.

Jim W. Mogg, age 54, was elected a director of the General Partner in October 1997, Chairman of the Compensation Committee in April 2000 and Chairman of the Board in May 2002. Mr. Mogg succeeded William L. Thacker as Chairman of the Board in May 2002, when Mr. Thacker retired as Chairman. Prior to being elected Chairman of the Board in 2002, Mr. Mogg served as Vice Chairman of the Board from April 2000 to April 2002. Mr. Mogg is chairman, president and chief executive officer of DEFS, having been named to these positions in December 1999. Mr. Mogg also serves as Senior Vice President – Field Services of Duke Energy. Mr. Mogg was previously president of Centana Energy Corporation, a subsidiary of a predecessor of Duke Energy, from 1992 to 1999. Mr. Mogg joined Duke Energy in 1973 in the gas supply department of Panhandle Eastern Pipe Line Company.

Mark A. Borer, age 48, was elected a director of the General Partner in April 2000. Mr. Borer is executive vice president of marketing and corporate development of DEFS, having been elected in April 2002. He previously served as senior vice president, Southern Division, for DEFS, having been elected to that position in 1999 when Union Pacific Fuels, Inc. was acquired by DEFS. Before joining DEFS, he was vice president of natural gas marketing for Union Pacific Fuels, Inc. from 1992 until 1999.

Michael J. Bradley, age 48, was elected a director of the General Partner in February 2003. Mr. Bradley is executive vice president, gathering and processing of DEFS, having been elected to that position in April 2002. He previously served as senior vice president, Northern Division, for DEFS, having been elected to that position in 1999. Mr. Bradley joined DEFS in 1979 and served in a variety of positions in marketing, business development and operations.

Milton Carroll, age 52, was elected a director of the General Partner in November 1997, is a member of the Compensation, Special and Audit Committees. He served as Chairman of the Audit Committee from April 2000 until January 16, 2003. Mr. Carroll is the chairman of CenterPoint Energy, Inc., having been elected in September 2002. Mr. Carroll is the founder, and has been president and chief executive officer of Instrument Products, Inc., a manufacturer of oil field equipment and other precision products, since 1977. Mr. Carroll is a director of Ocean Energy Inc., and Chairman of the Board of Health Care Service Corporation.

Derrill Cody, age 64, was elected a director of the General Partner in 1989. He is a member of the Compensation Committee and was Chairman of the Audit Committee from April 1990 until April 2000. Mr. Cody is currently of counsel to McKinney and Stringer, P. C., which represents Duke Energy, DEFS and us in certain matters. He is also an advisor to DEFS pursuant to a personal contract. Mr. Cody served as chief executive officer of Texas Eastern Gas Pipeline Company from 1987 to 1990. Prior to that, he was executive vice president of Kerr McGee Corporation.

John P. DesBarres, age 63, was elected a director of the General Partner in May 1995. He is a member of the Compensation and Audit Committees and serves as Chairman of the Special Committee. Mr. DesBarres was formerly chairman, president and chief executive officer of Transco Energy Company from 1992 to 1995. He joined Transco in 1991 as president and chief executive officer. Prior to joining Transco, Mr. DesBarres served as chairman, president and chief executive officer for Santa Fe Pacific Pipelines, Inc. from 1988 to 1991. Mr. DesBarres is a director of American Electric Power and Penn Virginia G.P., LLC, an indirect wholly owned subsidiary of Penn Virginia Corporation, which is the general partner of Penn Virginia Resource Partners, L.P.

William W. Slaughter, age 55, was elected a director of the General Partner in April 2000. Mr. Slaughter is executive vice president of DEFS. He has been advisor to the chief executive officer of DEFS since January 1999. Mr. Slaughter was vice president of energy services for Duke Energy from 1997 until 1998, and was vice president of corporate strategic planning for PanEnergy and president of PanEnergy International Development Corporation from 1994 to 1997.

R. A. Walker, age 45, was elected director of the General Partner in July 2002, and is a member of the Compensation, Audit and Special Committees. He was elected Chairman of the Audit Committee on January 16, 2003. Mr. Walker is president, chief financial officer and director of 3TEC Energy Corporation, a publicly held independent oil and gas company. Prior to joining 3TEC Energy Corporation in 2000, Mr. Walker was senior managing director and co-head of Prudential Capital Group, an asset management firm of The Prudential Insurance Company of America from 1997 to 2000. Previously, he was managing director of Prudential Capital's Dallas office from 1990 to 1997, where he was responsible for its worldwide energy investing.

Barry R. Pearl, age 53, was elected President of the General Partner in February 2001 and Chief Executive Officer and director in May 2002. He succeeded William L. Thacker as Chief Executive Officer in May 2002, when Mr. Thacker retired as Chief Executive Officer. Mr. Pearl was previously Chief Operating Officer from February 2001 until May 2002. Prior to joining the Company, Mr. Pearl was vice president – finance and administration, treasurer, secretary and chief financial officer of Maverick Tube Corporation from June 1998. Mr. Pearl was senior vice president and chief financial officer of Santa Fe Pacific Pipeline Partners, L.P. from 1995 until 1998, and senior vice president, business development from 1992 to 1995.

Charles H. Leonard, age 54, is Senior Vice President and Chief Financial Officer of the General Partner. Mr. Leonard joined the Company in 1988 as Vice President and Controller. In November 1989, he was elected Vice President and Chief Financial Officer. He was elected Senior Vice President in March 1990, and was Treasurer from October 1996 until May 2002.

James C. Ruth, age 55, is Senior Vice President, General Counsel and Secretary of the General Partner, having been elected in February 2001. Mr. Ruth was previously Vice President, General Counsel and Secretary from 1998 until February 2001, and Vice President, General Counsel from 1991 until 1998.

Thomas R. Harper, age 62, is Senior Vice President, Commercial Downstream of the General Partner, having been elected in February 2003. Mr. Harper was previously Vice President, Commercial Downstream from September 2000 until February 2003 and Vice President, Product Transportation and Refined Products Marketing from 1988 until September 2000. Mr. Harper joined the Company in 1987 as Director of Product Transportation.

J. Michael Cockrell, age 56, is Senior Vice President, Commercial Upstream of the General Partner, having been elected in February 2003. Mr. Cockrell was previously Vice President, Commercial Upstream from September 2000 until February 2003. He was elected Vice President of the General Partner in January 1999 and also serves as President of TEPPCO Crude GP, LLC. He joined PanEnergy in 1987 and served in a variety of positions in supply and development, including president of Duke Energy Transport and Trading Company.

Leonard W. Mallett, age 46, is Vice President, Operations of the General Partner, having been elected in September 2000. Mr. Mallett was previously Region Manager of the Southwest Region of the Company from 1994 until 1999 and Director of Engineering, from 1992 until 1994. Mr. Mallett joined the Company in 1979 as an engineer.

Stephen W. Russell, age 51, is Vice President, Support Services of the General Partner, having been elected in September 2000. Mr. Russell was previously Region Manager of the Southwest Region from July 1999 until September 2000, and Technical Operations Superintendent of the Southwest Region from 1994 until 1999. Mr. Russell joined the Company in 1988 as Project Manager in Engineering.

David E. Owen, age 53, is Vice President, Human Resources of the General Partner, having joined the Company in February 2001. He was previously Northern Division human resources manager of DEFS from May

2000 until he joined the Company. Prior to DEFS, Mr. Owen held various positions with ARCO International Oil and Gas Company from October 1996 until January 2000.

John N. Goodpasture, age 54, is Vice President, Corporate Development of the General Partner, having joined the Company in November 2001. Mr. Goodpasture was previously Vice President of Business Development for Enron Transportation Services from June 1999 until he joined the Company. Prior to his employment at Enron Transportation Services, Mr. Goodpasture spent 19 years in various executive positions at Seagull Energy Corporation (now Ocean Energy, Inc.), a large independent oil and gas company. At Seagull Energy, Mr. Goodpasture had most recently served for over ten years as Senior Vice President, Pipelines and Marketing.

Barbara A. Carroll, age 48, is Vice President, Environmental, Health and Safety, having been elected in February 2002. Ms. Carroll joined ExxonMobil in 1990 and served in a variety of management positions, including Procurement Services Manager, Materials and Service Manager and Baytown Area Public Affairs Manager until she joined the Company in February 2002. Prior to ExxonMobil, Ms. Carroll was General Manager, Corporate Environmental Protection and Compliance with Panhandle Eastern Corporation. Ms. Carroll is not related to Milton Carroll.

Mark G. Stockard, age 36, is Treasurer, having been elected in May 2002. Mr. Stockard was Assistant Treasurer of the General Partner from July 2001 until May 2002. He was previously Controller from October 1996 until May 2002. Mr. Stockard joined the Company in October 1990.

Based on information furnished to the Company and written representation that no other reports were required, to the Company’s knowledge, all applicable Section 16(a) filing requirements were complied with during the year ended December 31, 2002, except for reports covering certain transactions that were filed late by Messrs. Owen, Mallett, Ruth and Thacker.

Item 11. *Executive Compensation*

The officers of the General Partner manage and operate our business. We do not directly employ any of the persons responsible for managing or operating our operations, but instead reimburse the General Partner for the services of such persons. See Note 7 of the Notes to Consolidated Financial Statements contained elsewhere in this Report for additional information.

Directors of the General Partner who are neither officers nor employees of either the Company or DEFS receive a stipend, effective January 16, 2003, of $30,000 per annum, $1,000 for attendance at each meeting of the Board of Directors, $1,000 for attendance at each meeting of a committee of the Board of Directors and reimbursement of expenses incurred in connection with attendance at a meeting of the Board of Directors or a committee of the Board of Directors. Each non-employee director who serves as chairman of a committee of the Board of Directors receives an additional stipend of $5,000 per annum. Effective September 1, 1999, non-employee directors may elect to defer payment of retainer and attendance fees until termination of service on the Board of Directors. Such deferral may be either 50% or 100% in either a fixed income investment account that is credited with annual interest (currently 7%) or an investment account based upon the market value of Limited Partner Units.

Effective April 1, 2002, each quarter that a non-employee director continues to serve on the Board of Directors, such director will be credited with an amount equal to the then current market value of 100 Limited Partner Units and distribution equivalents on previously awarded amounts. In general, such amounts will not become distributable until the non-employee director terminates service on the Board of Directors. When a non-employee director terminates service on the Board of Directors, payment will be distributed in cash to the director according to the distribution schedule chosen by such director.

Messrs. Thacker, Mogg, Pearl, Borer, Bradley and Slaughter were not compensated for their services as directors, and it is not anticipated that any compensation for service as a director will be paid in the future to directors who are either officers or full-time employees of Duke Energy, DEFS, the General Partner or any of their affiliates.

The following table reflects cash compensation paid or accrued by the General Partner for the years ended December 31, 2002, 2001 and 2000, with respect to its Chief Executive Officer and the four most highly compensated executive officers (collectively, the "Named Executive Officers").

SUMMARY COMPENSATION TABLE

	Annual Compensation			Other	Long Term	
Name and Principal Position	**Year**	**Salary ($)**	**Bonus ($) (3)**	**Annual Compensation ($) (4)**	**Compensation Payouts ($)(5)**	**All Other Compensation ($) (6)**
William L. Thacker (1)	2002	268,989	122,100	38,540	451,214	32,844
Chairman and	2001	288,488	204,000	35,260	431,780	27,119
Chief Executive Officer	2000	269,434	149,400	15,200	188,335	25,039
Barry R. Pearl (2)	2002	252,308	142,000	24,160	—	16,163
President and Chief	2001	190,385	131,900	7,800	—	78,423
Executive Officer	2000	—	—	—	—	—
J. Michael Cockrell	2002	195,462	86,600	21,750	358,200	13,369
Senior Vice President	2001	189,504	100,500	32,250	—	10,722
	2000	182,021	78,000	30,000	—	14,853
Charles H. Leonard	2002	182,342	88,200	18,095	32,062	11,241
Senior Vice President and	2001	170,404	106,700	11,395	46,581	8,347
Chief Financial Officer	2000	155,965	83,400	5,000	52,354	13,818
James C. Ruth	2002	182,342	86,300	18,095	55,368	11,346
Senior Vice President and	2001	169,942	103,300	11,395	23,411	6,156
General Counsel	2000	147,899	76,400	5,000	40,182	13,013
John N. Goodpasture	2002	182,885	91,000	5,875	—	7,226
Vice President,	2001	27,692	—	—	—	—
Corporate Development	2000	—	—	—	—	—

(1) Mr. Thacker served as President until February 2001, and Chairman and Chief Executive Officer until May 1, 2002. Mr. Thacker retired as Chairman and Chief Executive Officer effective May 2002, but remained with the Company until October 2002. Amounts shown in the table include all compensation paid to Mr. Thacker for 2002.

(2) Mr. Pearl was elected as President in February 2001, and Chief Executive Officer and director effective May 1, 2002. Amounts shown in the table include all compensation paid to Mr. Pearl for 2002.

(3) Amounts represent bonuses accrued during the year under the Management Incentive Compensation Plan ("MICP"). Payments under the MICP are made in the subsequent year. Annual compensation does not include awards under long-term incentive plans, which are described in the table on page 56.

(4) Amounts represent quarterly distribution equivalents under the terms of the Company's 2000 Long Term Incentive Plan ("2000 LTIP"), Long Term Incentive Compensation Plan ("LTICP") and Retention Incentive Compensation Plan ("RICP").

(5) Amounts represent the value of redemptions under the 1996 amendment to the LTICP, credits earned to Performance Unit accounts, options exercised under the terms of 1994 LTIP and payouts under the RICP.

(6) Includes (i) Company matching contributions under funded, qualified, defined contribution retirement plans; (ii) Company matching contribution credits under unfunded, non qualified plans; and (iii) the imputed value of premiums paid by the Company for insurance on the Named Executive Officers' lives. Amount for Mr. Pearl in 2001 also includes $74,302 of relocation expenses.

Executive Employment Contracts and Termination of Employment Arrangements

On February 12, 2001, Barry R. Pearl and the Company entered into an employment agreement, which set a minimum base salary of $220,000 per year. The Company may terminate the employment agreement for cause, death or disability. In addition, the Company or Mr. Pearl may terminate the agreement upon written notice. Mr. Pearl participates in other Company sponsored benefit plans on the same basis as other senior executives of the Company. In the event Mr. Pearl is terminated due to death or disability or by the Company for cause, Mr. Pearl is entitled only to base salary earned through the date of termination. In the event of termination for any other reason, Mr. Pearl is entitled to base salary earned through the date of termination plus a lump sum severance payment equal to two times his base annual salary and two times the current target bonus approved under the MICP by the Compensation Committee. In the event that Mr. Pearl is involuntarily terminated following a change in control, he is entitled to a lump sum severance payment equal to two times his base annual salary plus two times his current target bonus.

The Company has entered into employment agreements with certain executive officers identified in Item 10. "Directors and Executive Officers of the Registrant." The agreements may be terminated for death, disability or by the Company with or without cause. In the event one of the named executives' employment is terminated due to death or disability or by the Company for cause, the executive is entitled only to base salary earned through the date of termination. In the event of termination for any other reason, the executive is entitled to base salary earned through the date of termination plus a lump sum severance payment equal to two times such executive's base annual salary and two times the current target bonus approved under the MICP by the Compensation Committee. In the event that an executive is involuntarily terminated following a change in control, the executive is entitled to a lump sum severance payment equal to two times his base annual salary plus two times his current target bonus.

Committees of the Board of Directors

Audit Committee

The Audit Committee is a standing committee of the Board of Directors of the General Partner and is comprised of three independent directors, R. A. Walker (Chairman), John DesBarres and Milton Carroll. As independent directors, the members of the Audit Committee are non-employee directors of the General Partner and are not officers, directors or otherwise affiliated with DEFS or its parent companies, ConocoPhillips or Duke Energy. The Audit Committee provides independent oversight with respect to our internal controls, accounting policies, financial reporting, internal audit function and the independent auditors. The Audit Committee also reviews the scope and quality, including the independence and objectivity of the independent and internal auditors and the fees paid for both audit and non audit work and makes recommendations on audit matters to the Board of Directors, including the engagement of the independent auditors.

Special Committee

The Special Committee is a standing committee of the Board of Directors of the General Partner and is composed of three independent directors, John DesBarres (Chairman), Milton Carroll and R. A. Walker. The members of the Special Committee are non-employee directors of the General Partner and are not officers, directors or otherwise affiliated with DEFS or its parent companies, ConocoPhillips or Duke Energy. The Special Committee is responsible for the independent evaluation of the fairness and reasonableness of affiliate transactions and the approval or rejection of those transactions that would ordinarily require Board approval involving the General

Partner, DEFS or an affiliate of either, and us. Such transactions include related party asset sales and operating agreements. The Special Committee is also responsible for the evaluation of the fairness and approval or rejection of the issuance and pricing of additional Limited Partner Units and debt.

Compensation Committee Interlocks and Insider Participation

During 2002, Jim W. Mogg, a director of the General Partner and chairman, president and chief executive officer of DEFS, was chairman of the Compensation Committee of the General Partner and participated in deliberations concerning the General Partner's executive officer compensation. The other four members of the Compensation Committee of the General Partner, Milton Carroll, R. A. Walker, Derrill Cody and John P. DesBarres, are non-employee directors of the General Partner and are not officers or directors of DEFS or its parent companies, ConocoPhillips or Duke Energy. In July 2002, Mr. Walker replaced Carl D. Clay as a member of the Compensation Committee, upon Mr. Clay's retirement from the Board of Directors.

Compensation Pursuant to General Partner Plans

Management Incentive Compensation Plan

The General Partner has established the MICP, which provides for the payment of additional cash compensation to participants if certain Partnership performance objectives and personal objectives are met each year. The Compensation Committee of the Board of Directors of the General Partner (the "Committee") determines at the beginning of each year which employees are eligible to become participants in the MICP. Additional participants may be added to the plan during the year by the Chief Executive Officer. Each participant is assigned a target award, determined as a percentage of total annual salary for the plan year less any incentive compensation payments during the plan year, by the Committee. Such target award determines the additional compensation to be paid if certain performance objectives and personal objectives are met. The amount of the target awards may range from 10% to 55% of a participant's base salary. Maximum payout under the MICP is 144% of a participant's target award. Awards are paid as soon as practicable following approval by the Committee after the close of a year.

1994 Long Term Incentive Plan

The 1994 LTIP authorized incentive awards to key employees whereby a participant was granted an option to purchase Units together with a stipulated number of Performance Units, which provided for cash credits to participants' accounts when annual earnings exceeded specified levels. No awards have been made under the 1994 LTIP since 1999, and none are expected to be made in the future.

The following table provides information concerning the Unit options exercised under the 1994 LTIP by each of the Named Executive Officers during 2002 and the value of unexercised Unit options under the 1994 LTIP to the Named Executive Officers as of December 31, 2002. The value assigned to each unexercised, "in the money" option is based on the positive spread between the exercise price of such option and the fair market value of a Limited Partner Unit on December 31, 2002. The fair market value is the average of the high and low prices of a Limited Partner Unit as reported in *The New York Times* on the last business day in 2002. In assessing the value, it should be kept in mind that no matter what theoretical value is placed on an option on a particular date, its ultimate value will be dependent on the market value of our Limited Partner Unit price at a future date. The future value will depend in part on the efforts of the Named Executive Officers to foster our future success for the benefit of all unitholders.

AGGREGATED OPTIONS EXERCISES IN YEAR ENDED DECEMBER 31, 2002 AND OPTION VALUES AT DECEMBER 31, 2002

Name	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at FY-end (1)	Value of Unexercised In-the Money Options at FY-end (1)
Mr. Thacker	53,079	$451,214	5,884	$ 47,458
Mr. Leonard	5,000	24,502	17,328	48,259
Mr. Ruth	2,851	47,808	32,547	135,284

(1) All unexercised options were exercisable at December 31, 2002.

2000 Long Term Incentive Plan

Effective January 1, 2000, the General Partner established the Texas Eastern Products Pipeline Company, LLC 2000 Long Term Incentive Plan ("2000 LTIP") to provide key employees incentives to achieve improvements in our financial performance. Generally, upon the close of a three-year performance period, if the participant is then still an employee of the General Partner, the participant will receive a cash payment in an amount equal to (1) the applicable performance percentage specified in the award multiplied by (2) the number of phantom Limited Partner Units granted under the award multiplied by (3) the average of the closing prices of a Limited Partner Unit over the ten consecutive trading days immediately preceding the last day of the performance period. Generally, a participant's performance percentage is based upon the improvement of our Economic Value Added (as defined below) during a three-year performance period over the Economic Value Added during the three-year period immediately preceding the performance period. If a participant incurs a separation from service during the performance period due to death, disability or retirement (as such terms are defined in the 2000 LTIP), the participant will be entitled to receive a cash payment in an amount equal to the amount computed as described above multiplied by a fraction, the numerator of which is the number of days that have elapsed during the performance period prior to the participant's separation from service and the denominator of which is the number of days in the performance period.

The performance period applicable to awards granted in 2002 is the three-year period that commenced on January 1, 2002, and ends on December 31, 2004. Each participant's performance percentage is the result of [(A) minus (B)] divided by [(C) minus (B)] where (A) is the actual Economic Value Added for the performance period, (B) is $59.9 million (which represents the actual Economic Value Added for the three-year period immediately preceding the performance period) and (C) is $71.7 million (which represents the Target Economic Value Added during the three-year performance period). No amounts will be payable under the awards granted in 2002 for the

2000 LTIP unless Economic Value Added for the three year performance period exceeds $59.9 million. The performance percentage may not exceed 150%.

Economic Value Added means our average annual EBITDA for the performance period minus the product of our average asset base and our cost of capital for the performance period. For purposes of the 2000 LTIP for plan years 2000 through 2002, EBITDA means our earnings before net interest expense, depreciation and amortization and our proportional interest in EBITDA of our joint ventures as presented in our consolidated financial statements prepared in accordance with generally accepted accounting principles, except that in its discretion the Compensation Committee of the General Partner may exclude gains or losses from extraordinary, unusual or non-recurring items. Average asset base means the quarterly average, during the performance period, of our gross value of property, plant and equipment, *plus* products and crude oil linefill and the gross value of intangibles and equity investments. Our cost of capital is approved by the Committee at the date of award grant.

In addition to the payment described above, during the performance period, the General Partner will pay to the Participant the amount of cash distributions that we would have paid to our Unitholders had the participant been the owner of the number of Limited Partner Units equal to the number of phantom Limited Partner Units granted to the participant under this award.

The following table provides information concerning awards under the 2000 LTIP to each of the Named Executive Officers during 2002.

Name	Number of Phantom Units	Performance Period	Estimated Future Payouts (1)		
			Threshold (#)(2)	Target (#) (3)	Maximum (#) (4)
Mr. Pearl	6,900	3 years	—	10,350	10,350
Mr. Leonard	2,400	3 years	—	3,600	3,600
Mr. Ruth	2,400	3 years	—	3,600	3,600
Mr. Goodpasture	2,500	3 years	—	3,750	3,750

(1) Phantom units will be settled in cash based upon the then market price of the Units at the end of the performance period as described above.

(2) No amounts will be payable for awards granted in 2002 unless Economic Value Added for the three year performance period exceeds $59.9 million.

(3) In number of phantom units. Pursuant to Instruction 5 to Regulation 402(e) of the Securities and Exchange Commission, these amounts assume that the 44% increase in Economic Value Added for 2002 as compared with 2001 is maintained for each of the three years in the performance period. There can be no assurance that any specific amount of Economic Value Added will be attained for such period.

(4) The maximum potential payout under the 2000 LTIP is 150% of phantom units awarded.

Pension Plan

Prior to the transfer of the General Partner interest from Duke Energy to DEFS on April 1, 2000, the Company’s employees participated in the Duke Energy Retirement Cash Balance Plan, which is a noncontributory, trustee-administered pension plan. Effective January 1, 1999, the benefit formula for all eligible employees was a cash balance formula. Under a cash balance formula, a plan participant accumulated a retirement benefit based upon pay credits and current interest credits. The pay credits were based on a participant’s salary, age, and service. In addition, the Named Executive Officers participated in the Duke Energy Executive Cash Balance Plan, which is a noncontributory, nonqualified, defined benefit retirement plan. The Duke Energy Executive Cash Balance Plan was established to restore benefit reductions caused by the maximum benefit limitations that apply to qualified plans.

Benefits under the Duke Energy Retirement Cash Balance Plan and the Duke Energy Executive Cash Balance Plan were based on eligible pay, generally consisting of base pay, short term incentive pay, and lump-sum merit increases. The Duke Energy Retirement Cash Balance Plan excludes deferred compensation, other than deferrals pursuant to Sections 401(k) and 125 of the Internal Revenue Code. As part of the change in ownership on March 31, 2000, the Company is no longer responsible for the funding of the liabilities associated with the Duke Energy Retirement Cash Balance Plan or the Duke Energy Executive Cash Balance Plan.

Effective April 1, 2000, the Company adopted the TEPPCO Retirement Cash Balance Plan ("TEPPCO RCBP") and the TEPPCO Supplemental Benefit Plan ("TEPPCO SBP"). The benefits and provisions of these plans are substantially identical to the Duke Energy Retirement Cash Balance Plan and the Duke Energy Executive Cash Balance Plan previously in effect prior to April 1, 2000.

Under the cash balance benefit accrual formula that applies in determining benefits under the TEPPCO RCBP, an eligible employee's plan account receives a pay credit at the end of each month in which the employee remains eligible and receives eligible pay for services. The monthly pay credit is equal to a percentage of the employee's monthly eligible pay. The percentage depends on age added to completed years of services at the beginning of the year, as shown below:

Age plus Service	Monthly Pay Credit Percentage
34 or less	4%
35 to 49	5%
50 to 64	6%
65 or more	7%

The above monthly pay credit is increased by an additional 4% of any portion of eligible pay above the Social Security taxable wage base ($84,900 for 2002). Employee accounts also receive monthly interest credits on their balances. The rate of the interest credit is adjusted quarterly and is derived from the average annual yield on 30-year U.S. Treasury Bonds during the third week of the last month of the previous quarter, subject to a minimum rate of 4% per year and a maximum rate of 9% per year.

Assuming that the Named Executive Officers continue in their present positions at their present salaries until retirement at age 65, their estimated annual pensions in a single life annuity form under the applicable pension plan(s) (including the Duke Energy Retirement Cash Balance Plan, the Duke Energy Executive Cash Balance Plan, the TEPPCO RCBP and the TEPPCO SBP) attributable to such salaries would be as follows: Barry R. Pearl, $63,658; J. Michael Cockrell, $43,721; Charles H. Leonard, $98,340; James C. Ruth, $166,111; and John N. Goodpasture, $33,270. Such estimates were calculated assuming interest credits at a rate of 6% per annum and using a future Social Security taxable wage base equal to $87,000.

In 2002, William L. Thacker commenced benefit payments in the Duke Energy Retirement Cash Balance Plan, the TEPPCO RCBP and the Duke Energy Executive Cash Balance Plan. Under the Duke Energy Retirement Cash Balance Plan and the TEPPCO RCBP, Mr. Thacker elected to receive his benefits as a one time payment. The amounts paid from the Duke Energy Retirement Cash Balance Plan and the TEPPCO RCBP were $136,964 and $45,508, respectively. Mr. Thacker's benefits under the Duke Energy Executive Cash Balance Plan will be paid out over 10 years. On January 1, 2003, the remaining balance to be paid out under the Duke Energy Executive Cash Balance Plan was $265,052. In February 2003, Mr. Thacker received his benefit under the TEPPCO SBP in the form of a one time payment of $191,670.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

Equity Compensation Plan Information

The following table provides information about our Equity Compensation Plans. See Note 14. Unit-Based Compensation for a description of the compensation plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options	Weighted average price of outstanding options	Number of securities remaining available for future issuance
Equity compensation plans approved by Security holders	—	—	—
Equity compensation plans not approved by Security holders	90,091	$23.62	—
Total	90,091	$23.62	—

Security Ownership of Certain Beneficial Owners

As of March 7, 2003, Duke Energy, through its ownership of the Company and other subsidiaries, owns 2,500,000 Limited Partner Units, representing 4.6% of the Limited Partner Units outstanding; and 3,916,547 Class B Units, representing 100% of the Class B Units, or 11.1% of the two classes of Units combined. The following table sets forth information of each person other than Duke Energy known to us to be the beneficial owner of more than 5% of our voting shares as of March 14, 2003:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage Owned
Goldman, Sachs & Co. 85 Broad St New York, NY 10004	3,784,517 (1)	7.03%

(1) Goldman, Sachs & Co. reported shared voting and dispositive power in its most recent report on Schedule 13G/A filed February 11, 2003. Goldman, Sachs & Co. is registered investment adviser whose clients have the right to receive distributions from, and the proceeds from the sale of, such shares.

No other person is known by us to own more than 5% of our outstanding Units.

Security Ownership of Management

The following table sets forth certain information, as of March 14, 2003, concerning the beneficial ownership of Limited Partner Units by each director and Named Executive Officer of the General Partner and by all directors and officers of the General Partner as a group. Such information is based on data furnished by the persons named. Based on information furnished to the General Partner by such persons, no director or officer of the General Partner owned beneficially, as of March 14, 2003, more than 1% of the 53.8 million Limited Partner Units outstanding at that date.

Name	Number of Units (1)
Mark A. Borer	1,000
Michael J. Bradley	650
J. Michael Cockrell	5,000
Derrill Cody	13,000
John P. DesBarres	20,000
Charles H. Leonard	796
Jim W. Mogg (2)	4,427
Barry R. Pearl	10,000
James C. Ruth	4,494
William W. Slaughter	8,000
William L. Thacker	37,866
All directors and officers (consisting of 20 people, including those named above)	116,550

(1) Unless otherwise indicated, the persons named above have sole voting and investment power over the Units reported. Includes Units that the named person has the right to acquire within 60 days.

(2) Includes 2,227 Units owned by daughters.

Item 13. ***Certain Relationships and Related Transactions***

Our Management

We have no employees and are managed by the Company, a wholly owned subsidiary of DEFS. Duke Energy holds an approximate 70% interest in DEFS and ConocoPhillips holds the remaining 30%. According to the Partnership Agreements, the Company is entitled to reimbursement of all direct and indirect expenses related to our business activities.

For the years ended December 31, 2002, 2001, and 2000, direct expenses incurred by the Company of $69.6 million, $68.2 million and $50.4 million, respectively, were charged to us by DEFS. Substantially all such costs were related to payroll and payroll related expenses. For the years ended December 31, 2002, 2001, and 2000, expenses for administrative services and overhead allocated to us by Duke Energy and its affiliates were $0.8 million, $0.6 million, and $0.8 million, respectively.

Transactions with DEFS

Effective with the purchase of the fractionation facilities on March 31, 1998, TEPPCO Colorado and DEFS entered into a 20-year Fractionation Agreement, under which TEPPCO Colorado receives a variable fee for all fractionated volumes delivered to DEFS. Revenues recognized from the fractionation facilities totaled $7.4 million, $7.4 million and $7.5 million for the years ended December 31, 2002, 2001 and 2000, respectively. TEPPCO Colorado and DEFS also entered into an Operation and Maintenance Agreement, whereby DEFS operates and maintains the fractionation facilities. For these services, TEPPCO Colorado pays DEFS a set volumetric rate for all fractionated volumes delivered to DEFS. Expenses related to the Operation and Maintenance Agreement totaled $0.9 million, $0.9 million, $0.9 million for the years ended December 31, 2002, 2001 and 2000, respectively.

Included with crude oil assets purchased from DEFS effective November 1, 1998, was the Wilcox NGL Pipeline located along the Texas Gulf Coast. The Wilcox NGL Pipeline transports NGLs for DEFS from two of their processing plants and is currently supported by a throughput agreement with DEFS through 2005. The fees paid to us by DEFS under the agreement totaled $1.2 million, $1.2 million and $1.1 million for the years ended December 31, 2002, 2001 and 2000, respectively. The Panola Pipeline and San Jacinto Pipeline were purchased on December 31, 2000, from DEFS for $91.7 million. These pipelines originate at DEFS' East Texas Plant Complex in Panola County, Texas. For the years ended December 31, 2002 and 2001, revenues recognized included $12.0 million and $13.9 million, respectively, from a subsidiary of DEFS for NGL transportation fees on the Panola and San Jacinto Pipelines.

Effective May 2001, we entered into an agreement with DEFS to commit sole utilization of our Providence terminal to DEFS. We operate the terminal and provide propane loading services to DEFS. During the years ended December 31, 2002 and 2001, revenues of $2.3 million and $1.5 million from DEFS, respectively, were recognized pursuant to this agreement.

On September 30, 2001, we completed the acquisition of Jonah. The Jonah assets are managed and operated by employees of DEFS under a contractual agreement under which DEFS is reimbursed for its actual costs. During the years ended December 31, 2002 and 2001, we recognized $3.3 million and $0.6 million, respectively, of expense related to the management of the Jonah assets by DEFS.

On March 1, 2002, we completed the acquisition of the Chaparral NGL system. The Chaparral assets are managed and operated by employees of DEFS under a contractual agreement under which DEFS is reimbursed for its actual costs. During the year ended December 31, 2002, we recognized $1.7 million of expenses related to the management of the Chaparral assets by DEFS.

On June 30, 2002, we completed the acquisition of Val Verde. The Val Verde assets are managed and operated by employees of DEFS under a contractual agreement under which DEFS is reimbursed for its actual costs. During the year ended December 31, 2002, we recognized $1.2 million of expenses related to the management of the Val Verde assets by DEFS.

Interest of the General Partner in the Partnership

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

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

During the year ended December 31, 2002, distributions paid to the General Partner totaled $37.7 million, including incentive distributions of $35.4 million.

Interests of Duke Energy in the Partnership

In connection with our formation, the Company received 2,500,000 Deferred Participation Interests (“DPIs”). Effective April 1, 1994, the DPIs began participating in distributions of cash and allocations of profit and loss in a manner identical to Limited Partner Units and are treated as Limited Partner Units for purposes of this Report. These Limited Partner Units were assigned to Duke Energy when ownership of the Company was transferred from Duke Energy to DEFS in 2000. Pursuant to our Partnership Agreement, we have registered the resale by Duke Energy of such Limited Partner Units with the Securities and Exchange Commission. As of December 31, 2002, no such Limited Partner Units had been sold by Duke Energy.

At December 31, 2002, Duke Energy also held 3,916,547 Class B Units. All of the Class B Units were issued to Duke Energy in connection with an acquisition of assets initially acquired in the Upstream Segment in 1998. The Class B Units share in income and distributions on the same basis as the Limited Partner Units, but they are not listed on the New York Stock Exchange. The Class B Units may be converted into Limited Partner Units upon approval by the unitholders. We have the option to seek approval for the conversion of the Class B Units into Limited Partner Units; however, if the conversion is denied, Duke Energy, as holder of the Class B Units, will have the right to sell them to us at 95.5% of the 20-day average market closing price of the Limited Partner Units, as determined under our Partnership Agreement.

Item 14. *Controls and Procedures*

Included in its recent Release No. 34-46427, effective August 29, 2002, the Securities and Exchange Commission adopted rules requiring reporting companies to maintain disclosure controls and procedures to provide reasonable assurance that a registrant is able to record, process, summarize and report the information required in the registrant’s quarterly and annual reports under the Securities Exchange Act of 1934 (the “Exchange Act”). While we believe that our existing disclosure controls and procedures have been effective to accomplish these objectives, we intend to continue to examine, refine and formalize our disclosure controls and procedures and to monitor ongoing developments in this area.

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

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

PART IV

Item 15. ***Exhibits, Financial Statement Schedules and Reports on Form 8-K***

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

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

(2) Financial Statement Schedules: See Index to Financial Statements and Supplemental Schedule on page F-1 of this Report for financial statement schedules filed as part of this Report.

(3) Exhibits.

Exhibit Number	Description
3.1	Certificate of Limited Partnership of TEPPCO Partners, L.P. (Filed as Exhibit 3.2 to the Registration Statement of TEPPCO Partners, L.P. (Commission File No. 33-32203) and incorporated herein by reference).
3.2	Third Amended and Restated Agreement of Limited Partnership of TEPPCO Partners, L.P., dated September 21, 2001 (Filed as Exhibit 3.7 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
4.1	Form of Certificate representing Limited Partner Units (Filed as Exhibit 4.1 to the Registration Statement of TEPPCO Partners, L.P. (Commission File No. 33-32203) and incorporated herein by reference).
4.2	Form of Indenture between TE Products Pipeline Company, Limited Partnership and The Bank of New York, as Trustee, dated as of January 27, 1998 (Filed as Exhibit 4.3 to TE Products Pipeline Company, Limited Partnership's Registration Statement on Form S-3 (Commission File No. 333-38473) and incorporated herein by reference).
4.3	Form of Certificate representing Class B Units (Filed as Exhibit 4.3 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
4.4	Form of Indenture between TEPPCO Partners, L.P., as issuer, TE Products Pipeline Company, Limited Partnership, TCTM, L.P., TEPPCO Midstream Companies, L.P. and Jonah Gas Gathering Company, as subsidiary guarantors, and First Union National Bank, NA, as trustee, dated as of February 20, 2002 (Filed as Exhibit 99.2 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated as of February 20, 2002 and incorporated herein by reference).
4.5	First Supplemental Indenture between TEPPCO Partners, L.P., as issuer, TE Products Pipeline Company, Limited Partnership, TCTM, L.P., TEPPCO Midstream Companies, L.P. and Jonah Gas Gathering Company, as subsidiary guarantors, and First Union National Bank, NA, as trustee, dated as of February 20, 2002 (Filed as Exhibit 99.3 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated as of February 20, 2002 and incorporated herein by reference).
4.6	Second Supplemental Indenture, dated as of June 27, 2002, among TEPPCO Partners, L.P., as issuer, TE Products Pipeline Company, Limited Partnership, TCTM, L.P., TEPPCO Midstream Companies, L.P., and Jonah Gas Gathering Company, as Initial Subsidiary Guarantors, and Val Verde Gas Gathering Company, L.P., as New Subsidiary

Exhibit Number	Description
	Guarantor, and Wachovia Bank, National Association, formerly known as First Union National Bank, as trustee (Filed as Exhibit 4.6 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 2002 and incorporated herein by reference).
4.7*	Third Supplemental Indenture among TEPPCO Partners, L.P. as issuer, TE Products Pipeline Company, Limited Partnership, TCTM, L.P., TEPPCO Midstream Companies, L.P., Jonah Gas Gathering Company and Val Verde Gas Gathering Company, L.P. as Subsidiary Guarantors, and Wachovia Bank, National Association, as trustee, dated as of January 30, 2003.
10.1+	Duke Energy Corporation Executive Savings Plan (Filed as Exhibit 10.7 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1999 and incorporated herein by reference).
10.2+	Duke Energy Corporation Executive Cash Balance Plan (Filed as Exhibit 10.8 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1999 and incorporated herein by reference).
10.3+	Duke Energy Corporation Retirement Benefit Equalization Plan (Filed as Exhibit 10.9 to Form 10-K for TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1999 and incorporated herein by reference).
10.4+	Texas Eastern Products Pipeline Company 1994 Long Term Incentive Plan executed on March 8, 1994 (Filed as Exhibit 10.1 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1994 and incorporated herein by reference).
10.5+	Texas Eastern Products Pipeline Company 1994 Long Term Incentive Plan, Amendment 1, effective January 16, 1995 (Filed as Exhibit 10.12 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 1999 and incorporated herein by reference).
10.6	Asset Purchase Agreement between Duke Energy Field Services, Inc. and TEPPCO Colorado, LLC, dated March 31, 1998 (Filed as Exhibit 10.14 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1998 and incorporated herein by reference).
10.7	Contribution Agreement between Duke Energy Transport and Trading Company and TEPPCO Partners, L.P., dated October 15, 1998 (Filed as Exhibit 10.16 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
10.8	Guaranty Agreement by Duke Energy Natural Gas Corporation for the benefit of TEPPCO Partners, L.P., dated November 30, 1998, effective November 1, 1998 (Filed as Exhibit 10.17 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
10.9+	Form of Employment Agreement between the Company and Thomas R. Harper, Charles H. Leonard, James C. Ruth, John N. Goodpasture, Leonard W. Mallett, Stephen W. Russell, David E. Owen, and Barbara A. Carroll (Filed as Exhibit 10.20 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
10.10	Services and Transportation Agreement between TE Products Pipeline Company, Limited Partnership and Fina Oil and Chemical Company, BASF Corporation and BASF Fina Petrochemical Limited Partnership, dated February 9, 1999 (Filed as Exhibit 10.22 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1999 and incorporated herein by reference).
10.11	Call Option Agreement, dated February 9, 1999 (Filed as Exhibit 10.23 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1999 and incorporated herein by reference).
10.12+	Texas Eastern Products Pipeline Company Retention Incentive Compensation Plan, effective January 1, 1999 (Filed as Exhibit 10.24 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1999 and incorporated herein by reference).

Exhibit Number	Description
10.13+	Form of Employment and Non-Compete Agreement between the Company and J. Michael Cockrell effective January 1, 1999 (Filed as Exhibit 10.29 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1999 and incorporated herein by reference).
10.14+	Texas Eastern Products Pipeline Company Non-employee Directors Unit Accumulation Plan, effective April 1, 1999 (Filed as Exhibit 10.30 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1999 and incorporated herein by reference).
10.15+	Texas Eastern Products Pipeline Company Non-employee Directors Deferred Compensation Plan, effective November 1, 1999 (Filed as Exhibit 10.31 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1999 and incorporated herein by reference).
10.16+	Texas Eastern Products Pipeline Company Phantom Unit Retention Plan, effective August 25, 1999 (Filed as Exhibit 10.32 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1999 and incorporated herein by reference).
10.17	Amended and Restated Purchase Agreement By and Between Atlantic Richfield Company and Texas Eastern Products Pipeline Company With Respect to the Sale of ARCO Pipe Line Company, dated as of May 10, 2000. (Filed as Exhibit 2.1 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 2000 and incorporated herein by reference).
10.18+	Texas Eastern Products Pipeline Company, LLC 2000 Long Term Incentive Plan, Amendment and Restatement, effective January 1, 2000 (Filed as Exhibit 10.28 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2000 and incorporated herein by reference).
10.19+	TEPPCO Supplemental Benefit Plan, effective April 1, 2000 (Filed as Exhibit 10.29 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2000 and incorporated herein by reference).
10.20+	Employment Agreement with Barry R. Pearl (Filed as Exhibit 10.30 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 2001 and incorporated herein by reference).
10.21	Amended and Restated Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent and LC Issuing Bank, and Certain Lenders, dated as of April 6, 2001 ($500,000,000 Revolving Facility) (Filed as Exhibit 10.31 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 2001 and incorporated herein by reference).
10.22	Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent, and Certain Lenders, dated as of April 6, 2001 ($200,000,000 Revolving Facility) (Filed as Exhibit 10.32 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 2001 and incorporated herein by reference).
10.23	Purchase and Sale Agreement By and Among Green River Pipeline, LLC and McMurry Oil Company, Sellers, and TEPPCO Partners, L.P., Buyer, dated as of September 7, 2000. (Filed as Exhibit 10.31 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.24	Credit Agreement Among TEPPCO Partners, L.P. as Borrower, SunTrust Bank, as Administrative Agent and Certain Lenders, dated as of September 28, 2001 ($400,000,000 Term Facility) (Filed as Exhibit 10.32 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.25	Amendment 1, dated as of September 28, 2001, to the Amended and Restated Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent and LC Issuing Bank, and Certain Lenders, dated as of April 6, 2001 ($500,000,000 Revolving Facility) (Filed as Exhibit 10.33 to Form 10-Q of

Exhibit Number	Description
	TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.26	Amendment 1, dated as of September 28, 2001, to the Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent, and Certain Lenders, dated as of April 6, 2001 ($200,000,000 Revolving Facility) (Filed as Exhibit 10.34 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.27	Amendment and Restatement, dated as of November 13, 2001, to the Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent, and Certain Lenders, dated as of April 6, 2001 ($200,000,000 Revolving Facility) (Filed as Exhibit 10.35 to Form 10-K of TEPPCO Partners, L.P (Commission File No. 1-10403) for the year ended December 31, 2001 and incorporated herein by reference).
10.28	Second Amendment and Restatement, dated as of November 13, 2001, to the Amended and Restated Credit Agreement amount TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent and LC Issuing Bank, and Certain Lenders, dated as of April 6, 2001 ($500,000,000 Revolving Facility) (Filed as Exhibit 10.36 to Form 10-K of TEPPCO Partners, L.P (Commission File No. 1-10403) for the year ended December 31, 2001 and incorporated herein by reference).
10.29	Second Amended and Restated Agreement of Limited Partnership of TE Products Pipeline Company, Limited Partnership, dated September 21, 2001 (Filed as Exhibit 3.8 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.30	Amended and Restated Agreement of Limited Partnership of TCTM, L.P., dated September 21, 2001 (Filed as Exhibit 3.9 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.31	Contribution, Assignment and Amendment Agreement among TEPPCO Partners, L.P., TE Products Pipeline Company, Limited Partnership, TCTM, L.P., Texas Eastern Products Pipeline Company, LLC, and TEPPCO GP, Inc., dated July 26, 2001 (Filed as Exhibit 3.6 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 2001 and incorporated herein by reference).
10.32	Certificate of Formation of TEPPCO Colorado, LLC (Filed as Exhibit 3.2 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1998 and incorporated herein by reference).
10.33	Agreement of Limited Partnership of TEPPCO Midstream Companies, L.P., dated September 24, 2001 (Filed as Exhibit 3.10 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.34	Agreement of Partnership of Jonah Gas Gathering Company dated June 20, 1996 as amended by that certain Assignment of Partnership Interests dated September 28, 2001 (Filed as Exhibit 10.40 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2001 and incorporated herein by reference).
10.35	Unanimous Written Consent of the Board of Directors of TEPPCO GP, Inc. dated February 13, 2002 (Filed as Exhibit 10.41 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2001 and incorporated herein by reference).
10.36	Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent and Certain Lenders, as Lenders dated as of March 28, 2002 ($200,000,000 Revolving Credit Facility) (Filed as Exhibit 10.44 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the three months ended March 31, 2002 and incorporated herein by reference).
10.37	Amended and Restated Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank, as Administrative Agent and LC Issuing Bank and Certain Lenders, as Lenders dated as of March 28, 2002 ($500,000,000 Revolving Facility) (Filed as Exhibit 10.45 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the three months ended March 31, 2002 and incorporated herein by reference).

Exhibit Number	Description
10.38	Purchase and Sale Agreement between Burlington Resources Gathering Inc. as Seller and TEPPCO Partners, L.P., as Buyer, dated May 24, 2002 (Filed as Exhibit 99.1 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated as of July 2, 2002 and incorporated herein by reference).
10.39	Credit Agreement among TEPPCO Partners, L.P., as Borrower, SunTrust Bank, as Administrative Agent and Certain Lenders, as Lenders dated as of June 27, 2002 ($200,000,000 Term Facility) (Filed as Exhibit 99.2 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated as of July 2, 2002 and incorporated herein by reference).
10.40	Amendment, dated as of June 27, 2002 to the Amended and Restated Credit Agreement among TEPPCO Partners, L.P., as Borrower, SunTrust Bank, as Administrative Agent, and Certain Lenders, dated as of March 28, 2002 ($500,000,000 Revolving Credit Facility) (Filed as Exhibit 99.3 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated as of July 2, 2002 and incorporated herein by reference).
10.41	Amendment 1, dated as of June 27, 2002 to the Credit Agreement among TEPPCO Partners, L.P., as Borrower, SunTrust Bank, as Administrative Agent and Certain Lenders, dated as of March 28, 2002 ($200,000,000 Revolving Credit Facility) (Filed as Exhibit 99.4 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated as of July 2, 2002 and incorporated herein by reference).
10.42	Agreement of Limited Partnership of Val Verde Gas Gathering Company, L.P., dated May 29, 2002 (Filed as Exhibit 10.48 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 2002 and incorporated herein by reference).
10.43+	Texas Eastern Products Pipeline Company, LLC 2002 Phantom Unit Retention Plan, effective June 1, 2002 (Filed as Exhibit 10.49 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 2002 and incorporated herein by reference).
10.44+*	Amended and Restated TEPPCO Supplemental Benefit Plan, effective November 1, 2002.
10.45+*	Texas Eastern Products Pipeline Company, LLC 2000 Long Term Incentive Plan, Second Amendment and Restatement, effective January 1, 2003.
10.46+*	Amended and Restated Texas Eastern Products Pipeline Company, LLC Management Incentive Compensation Plan, effective January 1, 2003.
10.47+*	Amended and Restated TEPPCO Retirement Cash Balance Plan, effective January 1, 2002.
10.48*	Formation Agreement between Panhandle Eastern Pipe Line Company and Marathon Ashland Petroleum LLC and TE Products Pipeline Company, Limited Partnership, dated as of August 10, 2000.
10.49*	Amended and Restated Limited Liability Company Agreement of Centennial Pipeline LLC dated as of August 10, 2000.
10.50*	Guaranty Agreement, dated as of September 27, 2002, between TE Products Pipeline Company, Limited Partnership and Marathon Ashland Petroleum LLC for Note Agreements of Centennial Pipeline LLC.
10.51*	LLC Membership Interest Purchase Agreement By and Between CMS Panhandle Holdings, LLC, As Seller and Marathon Ashland Petroleum LLC and TE Products Pipeline Company, Limited Partnership, Severally as Buyers, dated February 10, 2003.
12.1*	Statement of Computation of Ratio of Earnings to Fixed Charges.
21	Subsidiaries of the Partnership (Filed as Exhibit 21 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 2002 and incorporated herein by reference).
23*	Consent of KPMG LLP.
24*	Powers of Attorney.
99.1*	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.2*	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

+ A management contract or compensation plan or arrangement.

(b) Reports on Form 8-K filed during the quarter ended December 31, 2002:

Reports on Form 8-K were filed on October 8, 2002, October 9, 2002, October 21, 2002 and November 12, 2002.

SIGNATURES

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

TEPPCO Partners, L.P.

(Registrant)
(A Delaware Limited Partnership)

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

By: /s/ BARRY R. PEARL

Barry R. Pearl,
President and Chief Executive Officer

By: /s/ CHARLES H. LEONARD

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

Dated: March 21, 2003

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

Signature	Title	Date
BARRY R. PEARL* Barry R. Pearl	President and Chief Executive Officer of Texas Eastern Products Pipeline Company, LLC	March 21, 2003
CHARLES H. LEONARD Charles H. Leonard	Senior Vice President and Chief Financial Officer of Texas Eastern Products Pipeline Company, LLC (Principal Accounting and Financial Officer)	March 21, 2003
JIM W. MOGG* Jim W. Mogg	Chairman of the Board of Texas Eastern Products Pipeline Company, LLC	March 21, 2003
MARK A. BORER * Mark A. Borer	Director of Texas Eastern Products Pipeline Company, LLC	March 21, 2003
MILTON CARROLL* Milton Carroll	Director of Texas Eastern Products Pipeline Company, LLC	March 21, 2003
R.A. WALKER* R.A. Walker	Director of Texas Eastern Products Pipeline Company, LLC	March 21, 2003
DERRILL CODY* Derrill Cody	Director of Texas Eastern Products Pipeline Company, LLC	March 21, 2003
JOHN P. DESBARRES* John P. DesBarres	Director of Texas Eastern Products Pipeline Company, LLC	March 21, 2003
MICHAEL J. BRADLEY* Michael J. Bradley	Director of Texas Eastern Products Pipeline Company, LLC	March 21, 2003
WILLIAM W. SLAUGHTER* William W. Slaughter	Director of Texas Eastern Products Pipeline Company, LLC	March 21, 2003

* Signed on behalf of the Registrant and each of these persons:

By: /s/ CHARLES H. LEONARD

(Charles H. Leonard, Attorney-in-Fact)

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

I, BARRY R. PEARL, certify that:

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

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

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

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

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

March 21, 2003

Date

/s/ BARRY R. PEARL

Barry R. Pearl
Senior President and Chief Executive Officer

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

I, CHARLES H. LEONARD, certify that:

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

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

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

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

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

March 21, 2003

Date

/s/ CHARLES H. LEONARD

Charles H. Leonard
Senior Vice President and Chief Financial Officer

CONSOLIDATED FINANCIAL STATEMENTS
OF TEPPCO PARTNERS, L.P.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of TEPPCO Partners, L.P. as of December 31, 2002 and 2001, and the related consolidated statements of income, partners' capital, and cash flows for each of the years in the three-year period ended December 31, 2002. These consolidated financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TEPPCO Partners, L.P. as of December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 to the consolidated financial statements, as of January 1, 2001, the Partnership changed its method of accounting for derivative instruments and hedging activities and, effective January 1, 2002, adopted Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets.*

KPMG LLP

Houston, Texas
January 22, 2003, except as
to Note 22, which is as of
February 10, 2003

TEPPCO PARTNERS, L.P.

CONSOLIDATED BALANCE SHEETS
(in thousands)

	December 31,	
	2002	2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 30,968	$ 25,479
Accounts receivable, trade	276,450	221,541
Accounts receivable, related party	4,313	4,310
Inventories	17,166	17,243
Other	31,670	14,907
Total current assets	360,567	283,480
Property, plant and equipment, at cost (Net of accumulated depreciation and amortization of $338,746 and $290,248)	1,587,824	1,180,461
Equity investments	284,705	292,224
Intangible assets	465,374	251,487
Goodwill	16,944	16,669
Other assets	55,228	41,027
Total assets	$2,770,642	$2,065,348
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Notes payable	$ —	$ 360,000
Accounts payable and accrued liabilities	261,080	228,075
Accounts payable, general partner	6,619	22,680
Accrued interest	29,726	15,649
Other accrued taxes	11,260	8,888
Other	58,098	33,550
Total current liabilities	366,783	668,842
Senior Notes	945,692	375,184
Other long-term debt	432,000	340,658
Other liabilities and deferred credits	30,962	31,853
Redeemable Class B Units held by related party	103,363	105,630
Commitments and contingencies		
Partners' capital:		
Accumulated other comprehensive loss	(20,055)	(20,324)
General partner's interest	12,770	13,190
Limited partners' interests	899,127	550,315
Total partners' capital	891,842	543,181
Total liabilities and partners' capital	$2,770,642	$2,065,348

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

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

	Years Ended December 31,		
	2002	2001	2000
Operating revenues:			
Sales of crude oil and petroleum products	$2,823,800	$3,219,816	$2,821,943
Transportation — Refined products	123,476	139,315	119,331
Transportation — LPGs	74,577	77,823	73,896
Transportation — Crude oil	27,414	24,223	17,524
Transportation — NGLs	38,870	20,702	7,009
Gathering — Natural gas	90,053	8,824	—
Mont Belvieu operations	15,238	14,116	13,334
Other	48,735	51,594	34,904
Total operating revenues	3,242,163	3,556,413	3,087,941
Costs and expenses:			
Purchases of crude oil and petroleum products	2,772,328	3,172,805	2,793,643
Operating, general and administrative	158,753	135,253	104,918
Operating fuel and power	36,814	36,575	34,655
Depreciation and amortization	86,032	45,899	35,163
Taxes — other than income taxes	17,989	14,090	10,576
Total costs and expenses	3,071,916	3,404,622	2,978,955
Operating income	170,247	151,791	108,986
Interest expense	(70,537)	(66,057)	(48,982)
Interest capitalized	4,345	4,000	4,559
Equity earnings	11,980	17,398	12,214
Other income – net	1,827	2,799	1,388
Income before minority interest	117,862	109,931	78,165
Minority interest	—	(800)	(789)
Net income	$ 117,862	$ 109,131	$ 77,376
Net Income Allocation:			
Limited Partner Unitholders	81,238	76,986	56,091
Class B Unitholder	6,943	8,642	7,385
General Partner	29,681	23,503	13,900
Total net income allocated	$ 117,862	$ 109,131	$ 77,376
Basic and diluted net income per Limited Partner and Class B Unit	$ 1.79	$ 2.18	$ 1.89
Weighted average Limited Partner and Class B Units outstanding	49,202	39,258	33,594

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years Ended December 31,		
	2002	**2001**	**2000**
Cash flows from operating activities:			
Net income	$ 117,862	$ 109,131	$ 77,376
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	86,032	45,899	35,163
Earnings in equity investments, net of distributions	18,401	14,377	(10,084)
Non-cash portion of interest expense	4,916	4,053	2,218
Decrease (increase) in accounts receivable	(54,909)	81,190	(90,006)
Decrease (increase) in inventories	77	7,541	(7,567)
Decrease (increase) in other current assets	(16,263)	(8,082)	1,165
Increase (decrease) in accounts payable and accrued expenses	73,294	(71,757)	106,662
Other	5,507	(13,204)	(6,882)
Net cash provided by operating activities	234,917	169,148	108,045
Cash flows from investing activities:			
Proceeds from the sale of assets	3,380	1,300	—
Proceeds from cash investments	—	4,236	3,475
Purchases of cash investments	—	—	(2,000)
Purchase of ARCO assets	—	(11,000)	(322,640)
Purchase of Val Verde Gathering System	(444,150)	—	—
Purchase of Jonah Gas Gathering Company	(7,319)	(359,834)	—
Purchase of Chaparral NGL System	(132,372)	—	—
Purchase of crude oil assets	—	(20,000)	(99,508)
Investment in Centennial Pipeline LLC	(10,882)	(64,953)	(5,040)
Capital expenditures	(133,372)	(107,614)	(68,481)
Net cash used in investing activities	(724,715)	(557,865)	(494,194)
Cash flows from financing activities:			
Proceeds from term and revolving credit facilities	675,000	546,148	552,000
Repayments on term and revolving credit facilities	(943,659)	(291,490)	(172,000)
Issuance of Senior Notes	497,805	—	—
Debt issuance costs	(7,025)	(2,601)	(7,074)
Proceeds from termination of interest rate swaps	44,896	—	—
Issuance of Limited Partner Units, net	372,506	234,660	88,158
General partner's contributions	7,617	4,795	1,799
Distributions paid	(151,853)	(104,412)	(82,231)
Net cash provided by financing activities	495,287	387,100	380,652
Net increase (decrease) in cash and cash equivalents	5,489	(1,617)	(5,497)
Cash and cash equivalents at beginning of period	25,479	27,096	32,593
Cash and cash equivalents at end of period	$ 30,968	$ 25,479	$ 27,096
Supplemental disclosure of cash flows:			
Interest paid during the year (net of capitalized interest)	$ 48,908	$ 61,458	$ 36,793

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

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

	Outstanding Limited Partner Units	General Partner's Interest	Limited Partners' Interests	Accumulated Other Comprehensive Loss	Total
Partners' capital at December 31, 1999	29,000,000	$ 657	$ 229,110	$ —	$ 229,767
Capital contributions	—	890	—	—	890
Issuance of Limited Partner Units, net	3,700,000	—	88,158	—	88,158
2000 net income allocation	—	13,900	56,091	—	69,991
2000 cash distributions	—	(13,623)	(59,943)	—	(73,566)
Option exercises, net of Unit repurchases	—	—	(183)	—	(183)
Partners' capital at December 31, 2000	32,700,000	1,824	313,233	—	315,057
Capital contributions	—	4,795	—	—	4,795
Issuance of Limited Partner Units, net	7,750,000	—	234,660	—	234,660
Minority interest restructured	—	4,598	—	—	4,598
Cumulative effect of accounting change	—	—	—	(10,103)	(10,103)
Net loss on cash flow hedges	—	—	—	(10,221)	(10,221)
2001 net income allocation	—	23,503	76,986	—	100,489
2001 cash distributions	—	(21,530)	(73,961)	—	(95,491)
Option exercises, net of Unit repurchases	—	—	(603)	—	(603)
Partners' capital at December 31, 2001	40,450,000	13,190	550,315	(20,324)	543,181
Capital contributions	—	7,568	—	—	7,568
Issuance of Limited Partner Units, net	13,260,000	—	370,108	—	370,108
Net gain on cash flow hedges	—	—	—	269	269
2002 net income allocation	—	29,681	81,238	—	110,919
2002 cash distributions	—	(37,718)	(104,932)	—	(142,650)
Issuance of Limited Partner Units upon exercise of options	99,597	49	2,398	—	2,447
Partners' capital at December 31, 2002	53,809,597	$ 12,770	$ 899,127	$(20,055)	$ 891,842

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. PARTNERSHIP ORGANIZATION

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

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

On July 26, 2001, the Company restructured its general partner ownership of the Operating Partnerships to cause them to be indirectly wholly owned by us. TEPPCO GP, Inc. (“TEPPCO GP”), our subsidiary, succeeded the Company as general partner of the Operating Partnerships. All remaining partner interests in the Operating Partnerships not already owned by us were transferred to us. In exchange for this contribution, the Company’s interest as our general partner was increased to 2%. The increased percentage is the economic equivalent of the aggregate interest that the Company had prior to the restructuring through its combined interests in us and the Operating Partnerships. As a result, we hold a 99.999% limited partner interest in the Operating Partnerships and TEPPCO GP holds a 0.001% general partner interest. This reorganization was undertaken to simplify required financial reporting by the Operating Partnerships when the Operating Partnerships issue guarantees of our debt.

At formation in 1990, we completed an initial public offering of 26,500,000 Units representing Limited Partner Interests (“Limited Partner Units”) at $10.00 per Unit. In connection with our formation, the Company received 2,500,000 Deferred Participation Interests (“DPIs”). Effective April 1, 1994, the DPIs began participating in distributions of cash and allocations of profit and loss in a manner identical to Limited Partner Units and are treated as Limited Partner Units for purposes of this Report. These Limited Partner Units were assigned to Duke Energy when ownership of the Company was transferred from Duke Energy to DEFS in 2000. Pursuant to our Partnership Agreement, we have registered the resale by Duke Energy of such Limited Partner Units with the Securities and Exchange Commission. As of December 31, 2002, no such Limited Partner Units had been sold by Duke Energy.

At December 31, 2002 and 2001, we had outstanding 53,809,597 and 40,450,000 Limited Partner Units and 3,916,547 and 3,916,547 Class B Limited Partner Units (“Class B Units”), respectively. All of the Class B Units were issued to Duke Energy in connection with an acquisition of assets initially acquired in the Upstream Segment in 1998. The Class B Units share in income and distributions on the same basis as the Limited Partner Units, but they are not listed on the New York Stock Exchange. The Class B Units may be converted into Limited Partner Units upon approval by the unitholders. We have the option to seek approval for the conversion of the Class B Units into Limited Partner Units; however, if the conversion is denied, Duke Energy, as holder of the Class B Units, will have the right to sell them to us at 95.5% of the 20-day average market closing price of the Limited Partner Units, as determined under our Partnership Agreement. As a result of this option, we have not included the Class B Units in partners’ capital at December 31, 2002 and 2001. Collectively, the Limited Partner Units and Class B Units are referred to as “Units.”

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

We follow the following significant accounting policies in the preparation of our consolidated financial statements.

Basis of Presentation and Principles of Consolidation

The financial statements include our accounts on a consolidated basis. The Company's 1% general partner interest in the Operating Partnerships, prior to July 26, 2001, is accounted for as a minority interest. We have eliminated all significant intercompany items in consolidation. We have reclassified certain amounts from prior periods to conform with the current presentation.

Use of Estimates

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

Environmental Expenditures

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

Business Segments

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

Effective January 1, 2002, we realigned our three business segments to reflect our entry into the natural gas gathering business and the expanded scope of NGLs operations. We transferred the fractionation of NGLs, which was previously reflected as part of the Downstream Segment, to the Midstream Segment. The operation of NGL

pipelines, which was previously reflected as part of the Upstream Segment, was also transferred to the Midstream Segment. We have adjusted our period-to-period comparisons to conform with the current presentation.

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

Revenue Recognition

Our Downstream Segment revenues are earned from transportation and storage of refined products and LPGs, storage and short-haul transportation of LPGs at the Mont Belvieu complex, intrastate transportation of petrochemicals, sale of product inventory and other ancillary services. Transportation revenues are recognized as products are delivered to customers. Storage revenues are recognized upon receipt of products into storage and upon performance of storage services. Terminaling revenues are recognized as products are out-loaded. Revenues from the sale of product inventory are recognized when the products are sold.

Our Upstream Segment revenues are earned from gathering, transportation, marketing and storage of crude oil, and distribution of lubrication oils and specialty chemicals principally in Oklahoma, Texas and the Rocky Mountain region. Revenues are also generated from trade documentation and pumpover services, primarily at Cushing, Oklahoma, and Midland, Texas (effective July 20, 2000). Revenues are accrued at the time title to the product sold transfers to the purchaser, which typically occurs upon receipt of the product by the purchaser, and purchases are accrued at the time title to the product purchased transfers to our crude oil marketing company, TEPPCO Crude Oil, L.P., which typically occurs upon our receipt of the product. Revenues related to trade documentation and pumpover fees are recognized as services are completed.

Except for crude oil purchased from time to time as inventory, our policy is to purchase only crude oil for which we have a market to sell and to structure sales contracts so that crude oil price fluctuations do not materially affect the margin received. As we purchase crude oil, we establish a margin by selling crude oil for physical delivery to third party users or by entering into a future delivery obligation. Through these transactions, we seek to maintain a position that is balanced between crude oil purchases and sales and future delivery obligations. However, certain basis risks (the risk that price relationships between delivery points, classes of products or delivery periods will change) cannot be completely hedged.

Our Midstream Segment revenues are derived from the gathering of natural gas, fractionation of NGLs and transportation of NGLs. Gathering and transportation revenues are recognized as natural gas or NGLs are delivered to customers. Revenues are also earned from the sale of condensate liquid extracted from the natural gas stream to an Upstream marketing affiliate. Fractionation revenues are recognized ratably over the contract year as products are delivered to DEFS. We do not take title to the natural gas gathered, NGLs transported or NGLs fractionated, therefore, the results of our Midstream Segment are not directly affected by changes in the prices of natural gas or NGLs.

Natural Gas Imbalances

Gas imbalances occur when gas producers (customers) deliver more or less actual natural gas gathering volumes to our gathering systems than they originally nominated. Actual deliveries are different from nominated volumes due to fluctuations in gas production at the wellhead. If the customers supply more natural gas gathering volumes than they nominated, the Val Verde Gathering System ("Val Verde") and the Jonah Gas Gathering System ("Jonah") record a payable for the amount due to customers and also record a receivable for the same amount due from connecting pipeline transporters or shippers. If the customers supply less natural gas gathering volumes than

they nominated, the Val Verde and the Jonah systems record a receivable reflecting the amount due from customers and a payable for the same amount due to connecting pipeline transporters or shippers.

Quantities of natural gas over or under delivered related to imbalance agreements are recorded monthly using then current index prices. These imbalances are settled with cash or deliveries of natural gas. Gains are recorded when gas volumes owed (receivables) are settled by gas producers at a later date during a period of increasing prices, or if Val Verde and Jonah settle payables at later date during a period of falling prices. Losses are recorded if these processes are reversed.

Use of Derivatives

We account for derivative financial instruments in accordance with Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities,* and SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133.* These statements establish accounting and reporting standards requiring that derivative instruments (including certain derivative instruments embedded in other contracts) be recorded on the balance sheet at fair value as either assets or liabilities. The accounting for changes in the fair value of a derivative instrument depends on the intended use of the derivative and the resulting designation, which is established at the inception of a derivative. Special accounting for derivatives qualifying as fair value hedges allows a derivative's gains and losses to offset related results on the hedged item in the statement of income. For derivative instruments designated as cash flow hedges, changes in fair value, to the extent the hedge is effective, are recognized in other comprehensive income until the hedged item is recognized in earnings. Hedge effectiveness is measured at least quarterly based on the relative cumulative changes in fair value between the derivative contract and the hedged item over time. Any change in fair value resulting from ineffectiveness, as defined by SFAS 133, is recognized immediately in earnings.

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

By using interest rate swap agreements to hedge exposures to changes in interest rates and the fair value of fixed rate Senior Notes, we are exposed to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes us, which creates credit risk for us. When the fair value of a derivative contract is negative, we owe the counterparty and, therefore, we do not possess credit risk. We minimize the credit risk in derivative instruments by entering into transactions with major financial institutions. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. We manage market risk associated with interest rate contracts by establishing and monitoring parameters that limit the type and degree of market risk that may be undertaken.

We adopted SFAS 133 at January 1, 2001, which resulted in the recognition of approximately $10.1 million of derivative liabilities, $4.1 million of which were current liabilities and $6.0 million of which were noncurrent liabilities, and $10.1 million of hedging losses included in accumulated other comprehensive income, a component of partners' capital, as the cumulative effect of the change in accounting. The hedging losses included in accumulated other comprehensive loss are transferred to earnings as the forecasted transactions actually occur. Amounts determined as of January 1, 2001, were based on the market quote of our interest swap agreement in place at the time of adoption.

Inventories

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

Property, Plant and Equipment

We record property, plant and equipment at its acquisition cost. Additions to property, plant and equipment, including major replacements or betterments, are recorded at cost. We charge replacements and renewals of minor items of property that do not materially increase values or extend useful lives to maintenance expense. Depreciation expense is computed on the straight-line method using rates based upon expected useful lives of various classes of assets (ranging from 2% to 20% per annum).

We evaluate impairment of long-lived assets in accordance with SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets to Be Disposed Of*, and effective January 1, 2002, SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the carrying amount of assets to be held and used is measured by a comparison of the carrying amount of the asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Capitalization of Interest

We capitalize interest on borrowed funds related to capital projects only for periods that activities are in progress to bring these projects to their intended use. The weighted average rate used to capitalize interest on borrowed funds was 5.11%, 6.46% and 7.45% for the years ended December 31, 2002, 2001 and 2000, respectively. During the years ended December 31, 2002, 2001 and 2000, the amount of interest capitalized was $4.3 million, $4.0 million and $4.6 million, respectively.

Intangible Assets

Intangible assets at December 31, 2002, consist primarily of production contracts assumed in the acquisition of Jonah on September 30, 2001, and the acquisition of Val Verde on June 30, 2002, and the fractionation agreement with DEFS.

In connection with the acquisitions of Jonah and Val Verde, we assumed contracts that dedicate future production from natural gas wells in the Green River Basin in Wyoming, and we assumed fixed-term contracts with customers that transport coal bed methane (“CBM”) from the Fruitland Coal Formation of the San Juan Basin in New Mexico and Colorado, respectively (see Note 5. Acquisitions). The value assigned to intangible assets relates to contracts with customers that are for either a fixed term or which dedicate total future lease production. The value assigned to intangible assets is amortized on a unit of production basis, based upon the actual throughput of the system over the expected total throughput for the lives of the contracts. The amortization of the Jonah and Val Verde systems are expected to average approximately 16 years and 20 years, respectively. On a quarterly basis, we update production estimates of the natural gas wells and evaluate the remaining expected useful life of the contract

assets. At December 31, 2002, the unamortized balance of the Jonah and Val Verde production contracts were $205.2 million and $228.6 million, respectively.

In connection with the purchase of the fractionation facilities in 1998, we entered into a fractionation agreement with DEFS. The fractionation agreement is being amortized over a period of 20 years, which is the term of the agreement with DEFS. At December 31, 2002, the unamortized balance of this agreement was $29.0 million (see Note 7. Related Party Transactions.)

Goodwill

Goodwill represents the excess of purchase price over fair value of net assets acquired and is presented on the consolidated balance sheets net of accumulated amortization. We account for goodwill under SFAS No. 142, *Goodwill and Other Intangible Assets* which was issued by the Financial Accounting Standards Board ("FASB") in July 2001 (see Note 3. Goodwill and Other Intangible Assets). SFAS 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually. SFAS 142 requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives. Beginning January 1, 2002, effective with the adoption of SFAS 142, we no longer record amortization expense related to goodwill or amortization expense related to the excess investment on our equity investment (equity method goodwill).

Income Taxes

We are a limited partnership. As such, we are not a taxable entity for federal and state income tax purposes and do not directly pay federal and state income tax. Our taxable income or loss, which may vary substantially from the net income or net loss we report in our consolidated statements of income, is includable in the federal and state income tax returns of each unitholder. Accordingly, no recognition has been given to federal income taxes for our operations. The aggregate difference in the basis of our net assets for financial and tax reporting purposes cannot be readily determined as we do not have access to information about each unitholders' tax attributes in the Partnership.

Cash Flows

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

Net Income Per Unit

Basic net income per Unit is computed by dividing net income, after deduction of the General Partner's interest, by the weighted average number of Limited Partner and Class B Units outstanding (a total of 49.2 million Units, 39.3 million Units and 33.6 million Units for the years ended December 31, 2002, 2001 and 2000, respectively). The General Partner's percentage interest in net income is based on its percentage of cash distributions from Available Cash for each year (see Note 13. Quarterly Distributions of Available Cash). The General Partner was allocated $29.7 million (representing 25.18%) of net income for the year ended December 31, 2002, $23.5 million (representing 21.54%) of net income for the year ended December 31, 2001, and $13.9 million (representing 17.96%) of net income for the year ended December 31, 2000. The General Partner's percentage interest in our net income increases as cash distributions paid per Unit increases.

Diluted net income per Unit is similar to the computation of basic net income per Unit above, except that the denominator was increased to include the dilutive effect of outstanding Unit options by application of the

treasury stock method. For the years ended December 31, 2002, 2001 and 2000, the denominator was increased by 32,053 Units, 41,864 Units and 20,926 Units, respectively.

Unit Option Plan

We have not granted options for any periods presented. For options outstanding under the 1994 Long Term Incentive Plan (see Note 14. Unit-Based Compensation), we followed the intrinsic value method of accounting for recognizing stock-based compensation expense. Under this method, we record no compensation expense for unit options granted when the exercise price of the options granted is equal to, or greater than, the market price of our Limited Partner Units on the date of the grant.

In December 2002, SFAS No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure* was issued. SFAS 148 amends SFAS No. 123, *Accounting for Stock-Based Compensation*, and provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require prominent disclosure in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. Certain of the disclosure modifications are required for fiscal years ending after December 15, 2002, and are included in Note 14. Unit-Based Compensation.

The following table summarizes pro forma net income and net income per Unit for the years ended December 31, 2002, 2001 and 2000 assuming we had used the fair value method of accounting for our unit option plan (in thousands, except per Unit amounts):

	Years Ended December 31,		
	2002	2001	2000
Net income:			
Reported net income	$117,862	$109,131	$77,376
Deduct: Total unit-based employee compensation expense determined under fair value based method for all awards	(6)	(118)	(201)
Pro forma net income	$117,856	$109,013	$77,175
Pro forma net income allocation:			
Limited Partner Unitholders	$ 81,234	$ 76,902	$55,945
Class B Unitholder	6,943	8,633	7,366
General Partner	29,679	23,478	13,864
Total pro forma net income allocated	$117,856	$109,013	$77,175
Basic and diluted net income per Limited Partner and Class B Unit:			
As reported	$ 1.79	$ 2.18	$ 1.89
Deduct: Total unit-based employee compensation expense determined under fair value based method for all awards	—	—	(0.01)
Pro forma net income per Unit	$ 1.79	$ 2.18	$ 1.88

For purposes of determining compensation costs using the provisions of SFAS 123, the fair value of option grants was determined using the Black-Scholes option-valuation model. The key input variables used in valuing the options were as follows: average risk-free interest rate based on five- and 10-year Treasury bonds – 4.7%; Unit price volatility – 23%; dividend yield – 7.6%; and estimated option lives – six years.

New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, *Accounting for Asset Retirement Obligations*. SFAS 143 requires us to record the fair value of an asset retirement obligation as a liability in the period in which we incur a legal obligation for the retirement of tangible long-lived assets. A corresponding asset is also recorded and depreciated over the life of the asset. After the initial measurement of the asset retirement obligation, the liability will be adjusted at the end of each reporting period to reflect changes in the estimated future cash flows underlying the obligation. We will adopt SFAS 143 effective January 1, 2003. Determination of any amounts to be recognized upon adoption is based upon numerous estimates and assumptions, including future retirement costs, future inflation rates and the credit-adjusted risk-free interest rates.

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

The fair value of the asset retirement obligations for our trunk and interstate pipelines and our surface facilities cannot be reasonably estimated, as future dismantlement and removal dates are indeterminate. We will record such asset retirement obligations in the period in which we determine the settlement dates of the retirement obligations. Other assets in which future operating lives may be determinable include our gathering assets in our Midstream and Upstream Segments. However, our rights-of-way agreements, in general, do not require us to remove pipe or otherwise perform restoration upon taking the pipelines permanently out of service. We are continuing to evaluate the effect of SFAS 143 on our Midstream and Upstream gathering assets, but we do not currently anticipate that the adoption of SFAS 143 will have a material impact on our financial position, results of operations or cash flows.

In August 2001, the FASB issued SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS 144 supercedes SFAS No. 121, Accounting for Long-Lived Assets and For Long-Lived Assets to be Disposed Of, but retains its fundamental provisions for reorganizing and measuring impairment losses on long-lived assets held for use and long-lived assets to be disposed of by sale. We adopted SFAS 144 effective January 1, 2002. The adoption of SFAS 144 did not have a material effect on our financial position, results of operations or cash flows.

In April 2002, the FASB issued SFAS No. 145, *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections*. SFAS 145 eliminates the requirement to classify gains and losses from the extinguishment of indebtedness as extraordinary, requires certain lease modifications to be treated the same as a sale-leaseback transaction, and makes other non-substantive technical corrections to existing pronouncements. SFAS 145 is effective for fiscal years beginning after May 15, 2002, with earlier adoption encouraged. We are required to adopt SFAS 145 effective January 1, 2003. We do not believe that the adoption of SFAS 145 will have a material effect on our financial position, results of operations or cash flows.

In July 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force ("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 146 requires recognition of a liability for a cost associated with an exit or disposal activity

when the liability is incurred, as opposed to when the entity commits to an exit plan under EITF No. 94-3. SFAS 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. We do not believe that the adoption of SFAS 146 will have a material effect on our financial position, results of operations or cash flows.

In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure*. SFAS 148 amends SFAS No. 123, *Accounting for Stock-Based Compensation*, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require prominent disclosure in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on the reported results. The provisions of SFAS 148 are effective for financial statements for fiscal years ending after December 15, 2002. The adoption of SFAS 148 did not affect our financial position, results of operations or cash flows.

In November 2002, the FASB issued Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* ("FIN 45"), which addresses the disclosure to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees. FIN 45 also requires the recognition of a liability by a guarantor at the inception of certain guarantees. FIN 45 requires the guarantor to recognize a liability for the non-contingent component of the guarantee, which is the obligation to stand ready to perform in the event that specified triggering events or conditions occur. The initial measurement of this liability is the fair value of the guarantee at inception. The recognition of the liability is required even it is not probable that payments will be required under the guarantee or if the guarantee was issued with a premium payment or as part of a transaction with multiple elements. We have adopted the disclosure requirements of FIN 45 (see Note 17. Commitments and Contingencies) and will apply the recognition and measurement provisions for all guarantees entered into or modified after December 31, 2002. To date, we have not entered into or modified guarantees pursuant to the provisions of FIN 45.

In January 2003, the FASB issued FASB Interpretation No. 46, *Consolidation of Variable Interest Entities, an interpretation of ARB No. 51* ("FIN 46"). FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. We are required to apply FIN 46 to all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, we are required to apply FIN 46 on July 1, 2003. We do not believe FIN 46 will have a significant impact on our financial position, results of operations or cash flows.

NOTE 3. GOODWILL AND OTHER INTANGIBLE ASSETS

In July 2001, the FASB issued SFAS No. 142, *Goodwill and Other Intangible Assets*. SFAS 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually. SFAS 142 requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives.

Beginning January 1, 2002, effective with the adoption of SFAS 142, we no longer record amortization expense related to goodwill or amortization expense related to the excess investment on our equity investment in Seaway Crude Pipeline Company (see Note 6. Equity Investments). The following table presents our results on a comparable basis, as if we had not recorded amortization expense of goodwill or amortization expense of our excess investment in Seaway Crude Pipeline Company for the years ended December 31, 2002, 2001 and 2000 (in thousands, except per Unit amounts):

	Years Ended December 31,		
	2002	2001	2000
Net income:			
Reported net income	$117,862	$109,131	$77,376
Amortization of goodwill and excess investment	—	2,396	767
Adjusted net income	$117,862	$111,527	$78,143
Net income allocation:			
Limited Partner Unitholders	$ 81,238	$ 78,676	$56,647
Class B Unitholder	6,943	8,832	7,458
General Partner	29,681	24,019	14,038
Total net income allocated	$117,862	$111,527	$78,143
Basic and diluted net income per Limited Partner and Class B Unit:			
As reported	$ 1.79	$ 2.18	$ 1.89
Amortization of goodwill and excess investment	—	0.05	0.02
Adjusted net income per Unit	$ 1.79	$ 2.23	$ 1.91

Upon the adoption of SFAS 142, we were required to reassess the useful lives and residual values of all intangible assets acquired, and make necessary amortization period adjustments by the end of the first interim period after adoption. We completed this analysis during the year ended December 31, 2002, resulting in no change to the amortization period for our intangible assets. We will continue to reassess the useful lives and residual values of all intangible assets on an annual basis.

In connection with the transitional goodwill impairment evaluation required by SFAS 142, we were required to perform an assessment of whether there was an indication that goodwill was impaired as of the date of adoption. We accomplished this by identifying our reporting units and determining the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of the date of adoption. We then determined the fair value of each reporting unit and compared it to the carrying value of the reporting unit. We completed this analysis during the second quarter of 2002, resulting in no transitional impairment loss. We will continue to compare the fair value of each reporting unit to the carrying value on an annual basis to determine if an impairment loss has occurred.

At December 31, 2002, we had $16.9 million of unamortized goodwill and $25.5 million of excess investment in our equity investment (equity method goodwill). We completed an impairment analysis of the excess investment in our equity investment during the year ended December 31, 2002, and we noted no indication of impairment. The excess investment is included in our equity investments account at December 31, 2002. The following table presents the carrying amount of goodwill and excess investment at December 31, 2002, by business segment (in thousands):

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

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

	December 31, 2002		December 31, 2001	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Fractionation agreement	$ 38,000	$ (9,025)	$ 38,000	$ (7,125)
Natural gas transportation contracts	462,449	(28,710)	222,800	(3,275)
Other	3,745	(1,085)	1,458	(371)
Total	$504,194	$(38,820)	$262,258	$(10,771)

Excluding goodwill, amortization expense on intangible assets was $27.9 million, $5.5 million and $2.0 million for the years ended December 31, 2002, 2001 and 2000, respectively.

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

2003	$ 50,799
2004	52,384
2005	52,657
2006	47,153
2007	42,174

NOTE 4. DERIVATIVE FINANCIAL INSTRUMENTS

We have entered into an interest rate swap agreement to hedge our exposure to increases in the benchmark interest rate underlying our variable rate revolving credit facility. The term of the interest rate swap matches the maturity of the credit facility. We designated this swap agreement, which hedges exposure to variability in expected future cash flows attributed to changes in interest rates, as a cash flow hedge. The swap agreement is based on a notional amount of $250.0 million. Under the swap agreement, we pay a fixed rate of interest of 6.955% and receive a floating rate based on a three month U.S. Dollar LIBOR rate. Since this swap is designated as a cash flow hedge, the changes in fair value, to the extent the swap is effective, are recognized in other comprehensive income until the hedged interest costs are recognized in earnings. During the years ended December 31, 2002, and 2001, we recognized increases in interest expense of $12.9 million and $6.8 million, respectively, related to the difference between the fixed rate and the floating rate of interest on the interest rate swap. During the year ended December 31, 2002, we measured the hedge effectiveness of this interest rate swap and noted that no gain or loss from ineffectiveness was required to be recognized. The fair value of the interest rate swap agreement was a loss of approximately $20.1 million and $20.3 million at December 31, 2002, and 2001, respectively. We anticipate that approximately $13.5 million of the fair value will be transferred into earnings over the next twelve months.

On October 4, 2001, our TE Products subsidiary entered into an interest rate swap agreement to hedge its exposure to changes in the fair value of its fixed rate 7.51% Senior Notes due 2028. We designated this swap agreement as a fair value hedge. The swap agreement has a notional amount of $210.0 million and matures in January 2028 to match the principal and maturity of the TE Products Senior Notes. Under the swap agreement, TE Products pays a floating rate based on a three month U.S. Dollar LIBOR rate, plus a spread, and receives a fixed rate of interest of 7.51%. During the years ended December 31, 2002, and 2001, we recognized reductions in interest expense of $8.6 million and $1.8 million, respectively, related to the difference between the fixed rate and the floating rate of interest on the interest rate swap. During the year ended December 31, 2002, we measured the hedge effectiveness of this interest rate swap and noted that no gain or loss from ineffectiveness was required to be

recognized. The fair value of this interest rate swap agreement was a gain of approximately $13.6 million at December 31, 2002, and a loss of approximately $14.6 million at December 31, 2001.

On February 20, 2002, we entered into interest rate swap agreements to hedge our exposure to changes in the fair value of our fixed rate 7.625% Senior Notes due 2012. We designated these swap agreements as fair value hedges. The swap agreements had a combined notional amount of $500.0 million and matured in 2012 to match the principal and maturity of the Senior Notes. Under the swap agreements, we paid a floating rate based on a six month U.S. Dollar LIBOR rate, plus a spread, and received a fixed rate of interest of 7.625%. On July 16, 2002, we terminated these interest rate swap agreements. Upon termination, the fair value of the interest rate swap agreements was $25.8 million. From inception of the swap agreements on February 20, 2002, through the termination on July 16, 2002, $7.8 million had been recognized as a reduction to interest expense. The remaining gain of approximately $18.0 million has been deferred as an adjustment to the carrying value of the Senior Notes and is being amortized using the effective interest method as a reduction to future interest expense over the remaining term of the Senior Notes. In the event of early extinguishment of the Senior Notes, any remaining unamortized gain would be recognized in the consolidated statement of income at the time of extinguishment.

Additionally, on July 16, 2002, we entered into new interest rate swap agreements to hedge our exposure to changes in the fair value of our $500.0 million principal amount of 7.625% fixed rate Senior Notes due 2012. We designated these swap agreements as fair value hedges. The swap agreements had a combined notional amount of $500.0 million and matured in 2012 to match the principal and maturity of the Senior Notes. Under these swap agreements, we paid a floating rate based on a six month U.S. Dollar LIBOR rate, plus a spread, which increased by approximately 50 basis points from the previous swap agreements, and received a fixed rate of interest of 7.625%. On December 12, 2002, we terminated these interest rate swap agreements. Upon termination, the fair value of the interest rate swap agreements was $33.5 million. From inception of the swap agreements on July 16, 2002, through the termination on December 12, 2002, $6.6 million had been recognized as a reduction to interest expense. The remaining gain of approximately $26.9 million has been deferred as an adjustment to the carrying value of the Senior Notes and is being amortized using the effective interest method as a reduction to future interest expense over the remaining term of the Senior Notes. In the event of early extinguishment of the Senior Notes, any remaining unamortized gain would be recognized in the consolidated statement of income at the time of extinguishment.

NOTE 5. ACQUISITIONS

On July 20, 2000, we completed an acquisition of ARCO Pipe Line Company (“ARCO”), a wholly owned subsidiary of Atlantic Richfield Company, for $322.6 million, which included $4.1 million of acquisition related costs other than the purchase price. The purchased assets included ARCO’s 50% ownership interest in Seaway Crude Pipeline Company (“Seaway”), which owns a pipeline that carries mostly imported crude oil from a marine terminal at Freeport, Texas, to Cushing, Oklahoma, and from a marine terminal at Texas City, Texas, to refineries in the Texas City and Houston areas. We assumed ARCO’s role as operator of this pipeline. We also acquired: (i) ARCO’s crude oil terminal facilities in Cushing and Midland, Texas, including the line transfer and pumpover business at each location; (ii) an undivided ownership interest in both the Rancho Pipeline, a crude oil pipeline from West Texas to Houston, and the Basin Pipeline, a crude oil pipeline running from Jal, New Mexico, through Midland to Cushing, both of which are operated by another joint owner; and (iii) the receipt and delivery pipelines known as the West Texas Trunk System, which is located around the Midland terminal. The acquisition was accounted for under the purchase method of accounting. Accordingly, the results of the acquisition are included in the consolidated financial statements from July 20, 2000.

In October 2000, we received a settlement notice from Atlantic Richfield Company for payment of a net aggregate amount of approximately $12.9 million in post-closing adjustments related to the purchase of ARCO. A large portion of the requested adjustment related to an indemnity for payment of accrued income taxes. In August 2001, we reached a settlement with Atlantic Richfield Company of $11.0 million for the post-closing adjustments.

We recorded the settlement as an increase to the purchase price of ARCO. We paid the settlement amount to Atlantic Richfield Company on October 15, 2001.

On December 31, 2000, we completed an acquisition of pipeline assets from DEFS for $91.7 million, which included $0.7 million of acquisition related costs. The purchase included two natural gas liquids pipelines in East Texas: the Panola Pipeline, a pipeline from Carthage, Texas, to Mont Belvieu, Texas, and the San Jacinto Pipeline, a pipeline from Carthage to Longview, Texas. We also assumed a lease of a condensate pipeline from Carthage to Marshall, Texas. All three pipelines originate at DEFS' East Texas Plant Complex in Panola County, Texas. We accounted for the acquisition of these assets under the purchase method of accounting.

On September 30, 2001, our subsidiaries completed the purchase of Jonah from Alberta Energy Company for $359.8 million. The acquisition served as our entry into the natural gas gathering industry. We recognized goodwill on the purchase of approximately $2.8 million. We accounted for the acquisition under the purchase method of accounting. Accordingly, the results of the acquisition are included in the consolidated financial statements from September 30, 2001. We paid an additional $7.3 million on February 4, 2002, for final purchase adjustments related primarily to construction projects in progress at the time of closing. Under a contractual agreement, DEFS manages and operates Jonah on our behalf.

The following table allocates the estimated fair value of Jonah assets acquired on September 30, 2001, and includes the additional purchase adjustment paid on February 4, 2002 (in thousands):

Property, plant and equipment	$141,835
Intangible assets (primarily gas transportation contracts)	222,800
Goodwill	2,777
Other	147
Total assets	367,559
Total liabilities assumed	(489)
Net assets acquired	$367,070

The value assigned to intangible assets relates to contracts with customers that are for either a fixed term or which dedicate total future lease production. We are amortizing the value assigned to intangible assets on a unit of production basis, based upon the actual throughput of the system over the expected total throughput for the contracts (averaging approximately 16 years).

On March 1, 2002, we completed the purchase of the Chaparral NGL system ("Chaparral") for $132.4 million from Diamond-Koch II, L.P. and Diamond-Koch III, L.P., including acquisition related costs of approximately $0.4 million. We funded the purchase by a drawdown of our $500.0 million revolving credit facility (see Note 10. Debt). Chaparral is an NGL pipeline system that extends from West Texas and New Mexico to Mont Belvieu. The pipeline delivers NGLs to fractionators and to our existing storage in Mont Belvieu. Under a contractual agreement, DEFS manages and operates these assets on our behalf. We accounted for the acquisition of these assets under the purchase method of accounting. We allocated the purchase price to property, plant and equipment. Accordingly, the results of the acquisition are included in the consolidated financial statements from March 1, 2002.

On June 30, 2002, we completed the purchase of Val Verde for $444.2 million from Burlington Resources Gathering Inc., a subsidiary of Burlington Resources Inc., including acquisition related costs of approximately $1.2 million. We funded the purchase by drawing down $168.0 million under our $500.0 million revolving credit facility, $72.0 million under our 364-day revolving credit facility, and $200.0 million under a six-month term loan with SunTrust Bank (see Note 10. Debt). The remaining purchase price was funded through working capital sources of cash. The Val Verde system gathers CBM from the Fruitland Coal Formation of the San Juan Basin in

New Mexico and Colorado. The system is one of the largest CBM gathering and treating facilities in the United States. Under a contractual agreement, DEFS manages and operates Val Verde on our behalf. We accounted for the acquisition of these assets under the purchase method of accounting. Accordingly, the results of the acquisition are included in the consolidated financial statements from June 30, 2002.

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

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

The value assigned to intangible assets relates to fixed-term contracts with customers. We are amortizing the value assigned to intangible assets on a unit of production basis, based upon the actual throughput of the system over the expected total throughput for the contracts (averaging approximately 20 years).

The following table presents our unaudited pro forma results as though the acquisitions of Jonah and Val Verde occurred at the beginning of 2001 or 2002 (in thousands, except per Unit amounts). The unaudited pro forma results give effect to certain pro forma adjustments including depreciation and amortization expense adjustments of property, plant and equipment and intangible assets based upon the purchase price allocations, interest expense related to financing the acquisitions, amortization of debt issue costs and the removal of income tax effects in historical results of operations. The pro forma results do not include operating efficiencies or revenue growth from historical results.

	Years Ended December 31,	
	2002	2001
Revenues	$3,279,948	$3,659,496
Operating income	181,717	179,600
Net income	130,335	119,286
Basic and diluted net income per Limited Partner and Class B Unit	$ 1.70	$ 2.00

The summarized pro forma information has been prepared for comparative purposes only. It is not intended to be indicative of the actual operating results that would have occurred had the acquisitions been consummated at the beginning of 2001 or 2002, or the results which may be attained in the future.

NOTE 6. EQUITY INVESTMENTS

The acquisition of the ARCO assets in July 2000 included ARCO’s 50% ownership interest in Seaway, which owns a pipeline that carries mostly imported crude oil from a marine terminal at Freeport, Texas, to Cushing, Oklahoma, and from a marine terminal at Texas City, Texas, to refineries in the Texas City and Houston areas. Seaway is a partnership between a subsidiary of TCTM, TEPPCO Seaway, L.P. (“TEPPCO Seaway”), and ConocoPhillips. TCTM purchased the 50% ownership interest in Seaway on July 20, 2000, and transferred the investment to TEPPCO Seaway. The Seaway Crude Pipeline Company Partnership Agreement provides for varying participation ratios throughout the life of the Seaway partnership. From July 20, 2000, through May 2002, TEPPCO Seaway received 80% of revenue and expense of Seaway. From June 2002 through May 2006, TEPPCO Seaway will receive 60% of revenue and expense of Seaway. Thereafter, the sharing ratio becomes 40% of revenue and

expense to TEPPCO Seaway. For the year ended December 31, 2002, our portion of equity earnings on a pro-rated basis averaged approximately 67%.

In August 2000, TE Products entered into agreements with Panhandle Eastern Pipeline Company (“PEPL”), a subsidiary of CMS Energy Corporation, and Marathon Ashland Petroleum LLC (“Marathon”) to form Centennial Pipeline LLC (“Centennial”). Centennial owns an interstate refined petroleum products pipeline extending from the upper Texas Gulf Coast to Illinois. Through December 31, 2002, each participant owned a one-third interest in Centennial. During the years ended December 31, 2002 and 2001, we contributed approximately $10.9 million and $70.0 million, respectively, for our investment in Centennial. These amounts are included in the equity investment balance at December 31, 2002 and 2001.

We use the equity method of accounting to report our investments in Seaway and Centennial. Summarized combined income statement data for Seaway and Centennial for the years ended December 31, 2002, and 2001, is presented below (in thousands):

	Years Ended December 31,	
	2002	2001
Revenues	$83,237	$55,719
Net income	5,389	26,218

Summarized combined balance sheet data for Seaway and Centennial as of December 31, 2002, and 2001, is presented below (in thousands):

	December 31,	
	2002	2001
Current assets	$ 32,528	$ 57,368
Noncurrent assets	551,324	528,835
Current liabilities	28,681	31,308
Long-term debt	140,000	128,000
Noncurrent liabilities	14,875	—
Partners’ capital	400,296	426,895

Our investment in Seaway at December 31, 2002, and 2001, includes an excess net investment amount of $25.5 million. Excess investment is the amount by which our investment balance exceeds our proportionate share of the net assets of the investment. Prior to January 1, 2002, and our adoption of SFAS 142, we were amortizing the excess investment in Seaway using the straight-line method over 20 years.

NOTE 7. RELATED PARTY TRANSACTIONS

We have no employees and are managed by the Company, a wholly owned subsidiary of DEFS. Duke Energy holds an approximate 70% interest in DEFS and ConocoPhillips holds the remaining 30%. According to the Partnership Agreements, the Company is entitled to reimbursement of all direct and indirect expenses related to our business activities (see Note 1. Partnership Organization).

For the years ended December 31, 2002, 2001, and 2000, direct expenses incurred by the Company of $69.6 million, $68.2 million and $50.4 million, respectively, were charged to us by DEFS. Substantially all such costs were related to payroll and payroll related expenses. For the years ended December 31, 2002, 2001, and 2000, expenses for administrative services and overhead allocated to us by Duke Energy and its affiliates were $0.8 million, $0.6 million and $0.8 million, respectively.

Effective with the purchase of the fractionation facilities on March 31, 1998, TEPPCO Colorado, LLC (“TEPPCO Colorado”) and DEFS entered into a 20-year Fractionation Agreement, under which TEPPCO Colorado receives a variable fee for all fractionated volumes delivered to DEFS. Revenues recognized from the fractionation facilities totaled $7.4 million, $7.4 million and $7.5 million for the years ended December 31, 2002, 2001 and 2000, respectively. TEPPCO Colorado and DEFS also entered into an Operation and Maintenance Agreement, whereby DEFS operates and maintains the fractionation facilities. For these services, TEPPCO Colorado pays DEFS a set volumetric rate for all fractionated volumes delivered to DEFS. Expenses related to the Operation and Maintenance Agreement totaled $0.9 million, $0.9 million and $0.9 million for the years ended December 31, 2002, 2001 and 2000, respectively.

Included with crude oil assets purchased from DEFS effective November 1, 1998, was the Wilcox NGL Pipeline located along the Texas Gulf Coast. The Wilcox NGL Pipeline transports NGLs for DEFS from two of their processing plants and is currently supported by a throughput agreement with DEFS through 2005. The fees paid to us by DEFS under the agreement totaled $1.2 million, $1.2 million and $1.1 million for the years ended December 31, 2002, 2001 and 2000, respectively. The Panola Pipeline and San Jacinto Pipeline were purchased on December 31, 2000, from DEFS for $91.7 million. These pipelines originate at DEFS’ East Texas Plant Complex in Panola County, Texas. For the years ended December 31, 2002 and 2001, revenues recognized included $12.0 million and $13.9 million, respectively, from a subsidiary of DEFS for NGL transportation fees on the Panola and San Jacinto Pipelines.

On July 20, 2000, we, through TCTM, acquired a 50% ownership interest in Seaway. ConocoPhillips owns the remaining 50% interest in Seaway. TEPPCO Crude Pipeline, L.P. is the operator of this pipeline. During the years ended December 31, 2002, 2001 and 2000, we billed Seaway $7.1 million, $7.0 million and $2.9 million, respectively, for direct payroll and payroll related expenses for operating Seaway. Additionally, during the years ended December 31, 2002, 2001 and 2000, we billed Seaway $2.1 million, $2.1 million and $0.9 million, respectively, for indirect management fees for operating Seaway.

Effective May 2001, we entered into an agreement with DEFS to commit sole utilization of our Providence terminal to DEFS. We operate the terminal and provide propane loading services to DEFS. During the years ended December 31, 2002 and 2001, revenues of $2.3 million and $1.5 million from DEFS, respectively, were recognized pursuant to this agreement.

On September 30, 2001, we completed the acquisition of Jonah. The Jonah assets are managed and operated by employees of DEFS under a contractual agreement under which DEFS is reimbursed for its actual costs. During the years ended December 31, 2002, and 2001, we recognized $3.3 million and $0.6 million, respectively, of expense related to the management of the Jonah assets by DEFS.

On March 1, 2002, we completed the acquisition of the Chaparral NGL system. The Chaparral assets are managed and operated by employees of DEFS under a contractual agreement under which DEFS is reimbursed for its actual costs. During the year ended December 31, 2002, we recognized $1.7 million of expenses related to the management of the Chaparral assets by DEFS.

On June 30, 2002, we completed the acquisition of Val Verde. The Val Verde assets are managed and operated by employees of DEFS under a contractual agreement under which DEFS is reimbursed for its actual costs. During the year ended December 31, 2002, we recognized $1.2 million of expenses related to the management of the Val Verde assets by DEFS.

In August 2000, TE Products entered into agreements with PEPL and Marathon to form Centennial (see Note 6. Equity Investments). At December 31, 2002, TE Products had a one-third ownership interest in Centennial. TE Products has entered into a management agreement with Centennial to operate Centennial’s terminal at Creal Springs and pipeline connection in Beaumont, Texas. For the year ended December 31, 2002, we recognized management fees of $0.2 million from Centennial, and actual operating expenses billed to Centennial were $0.3

million. TE Products also has a joint tariff with Centennial to deliver products at TE Products' locations using Centennial's pipeline as part of the delivery route to connecting carriers. TE Products, as the delivering pipeline, invoices the shippers for the entire delivery rate, records only the net rate attributable to it as transportation revenues and records a liability for the amounts due to Centennial for its share of the tariff. At December 31, 2002, we have a payable balance of $1.0 million to Centennial for its share of the joint tariff deliveries. In addition, TE Products performs ongoing construction services for Centennial and bills Centennial for labor and other costs to perform the construction. At December 31, 2002, TE Products has a receivable of $1.9 million due from Centennial for reimbursement of construction services provided to Centennial.

NOTE 8. INVENTORIES

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

	December 31,	
	2002	2001
Crude oil	$ —	$ 3,783
Gasolines	4,700	4,548
Propane	—	1,096
Butanes	1,991	1,431
Transmix	2,526	878
Other products	3,836	1,988
Materials and supplies	4,113	3,519
Total	$17,166	$17,243

The costs of inventories did not exceed market values at December 31, 2002 and 2001.

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

Major categories of property, plant and equipment were as follows (in thousands):

	December 31,	
	2002	2001
Land and right of way	$ 106,279	$ 92,664
Line pipe and fittings	1,090,848	822,332
Storage tanks	143,740	130,461
Buildings and improvements	20,408	15,131
Machinery and equipment	463,049	252,393
Construction work in progress	102,246	157,728
Total property, plant and equipment	$1,926,570	$1,470,709
Less accumulated depreciation and amortization	338,746	290,248
Net property, plant and equipment	$1,587,824	$1,180,461

Depreciation expense on property, plant and equipment was $56.0 million, $39.5 million and $33.0 million for the years ended December 31, 2002, 2001 and 2000, respectively.

NOTE 10. LONG TERM DEBT

Senior Notes

On January 27, 1998, TE Products completed the issuance of $180.0 million principal amount of 6.45% Senior Notes due 2008, and $210.0 million principal amount of 7.51% Senior Notes due 2028 (collectively the "TE Products Senior Notes"). The 6.45% TE Products Senior Notes were issued at a discount of $0.3 million and are being accreted to their face value over the term of the notes. The 6.45% TE Products Senior Notes due 2008 are not subject to redemption prior to January 15, 2008. The 7.51% TE Products Senior Notes due 2028, issued at par, may be redeemed at any time after January 15, 2008, at the option of TE Products, in whole or in part, at a premium.

The TE Products Senior Notes do not have sinking fund requirements. Interest on the TE Products Senior Notes is payable semiannually in arrears on January 15 and July 15 of each year. The TE Products Senior Notes are unsecured obligations of TE Products and rank on a parity with all other unsecured and unsubordinated indebtedness of TE Products. The indenture governing the TE Products Senior Notes contains covenants, including, but not limited to, covenants limiting the creation of liens securing indebtedness and sale and leaseback transactions. However, the indenture does not limit our ability to incur additional indebtedness. As of December 31, 2002, TE Products was in compliance with the covenants of the TE Products Senior Notes.

On February 20, 2002, we received $494.6 million in net proceeds, after underwriting discount, from the issuance of $500.0 million principal amount of 7.625% Senior Notes due 2012. The 7.625% Senior Notes were issued at a discount of $2.2 million and are being accreted to their face value over the term of the notes. We used the proceeds from the offering to reduce a portion of the outstanding balances of our credit facilities, including those issued in connection with the acquisition of Jonah. The Senior Notes may be redeemed at any time at our option with the payment of accrued interest and a make-whole premium determined by discounting remaining interest and principal payments using a discount rate equal to the rate of the United States Treasury securities of comparable remaining maturity plus 35 basis points. The indenture governing our 7.625% Senior Notes contains covenants, including, but not limited to, covenants limiting the creation of liens securing indebtedness and sale and leaseback transactions. However, the indenture does not limit our ability to incur additional indebtedness. As of December 31, 2002, we were in compliance with the covenants of these Senior Notes.

At December 31, 2002 and 2001, the estimated fair value of the Senior Notes was approximately $914.9 million and $362.0 million, respectively. Market prices for recent transactions and rates currently available to us for debt with similar terms and maturities were used to estimate fair value.

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

Other Long Term Debt and Credit Facilities

On July 14, 2000, we entered into a $75.0 million term loan and a $475.0 million revolving credit facility ("Three Year Facility"). On July 21, 2000, we borrowed $75.0 million under the term loan and $340.0 million under the Three Year Facility. The funds were used to finance the acquisition of the ARCO assets (see Note 5. Acquisitions) and to refinance existing bank credit facilities, other than the Senior Notes. The term loan was repaid from proceeds received from the issuance of additional Limited Partner Units on October 25, 2000. On April 6, 2001, the Three Year Facility was amended to provide for revolving borrowings of up to $500.0 million for a period of three years including the issuance of letters of credit of up to $20.0 million. The interest rate is based, at our option, on either the lender's base rate plus a spread, or LIBOR plus a spread in effect at the time of the borrowings. The credit agreement for the Three Year Facility contains restrictive financial covenants that require us to maintain a minimum level of partners' capital as well as maximum debt-to-EBITDA (earnings before interest expense, income

tax expense and depreciation and amortization expense) and minimum fixed charge coverage ratios. On February 20, 2002, we repaid $115.7 million of the then outstanding balance of the Three Year Facility with proceeds from the issuance of our 7.625% Senior Notes. On March 1, 2002, we borrowed $132.0 million under the Three Year Facility to finance the acquisition of the Chaparral NGL system. On March 22, 2002, we repaid a portion of the Three Year Facility with proceeds we received from the issuance of additional Limited Partner Units (see Note 11. Partners' Capital). To facilitate our financing of a portion of the purchase price of the Val Verde assets, on June 27, 2002, the Three Year Facility was amended to increase the maximum permitted debt-to-EBITDA ratio covenant to allow us to incur additional indebtedness. For the twelve month period ending June 30, 2002, the maximum permitted ratio was 5.5-to-1 on a pro forma basis. For the twelve month period ending September 30, 2002, the maximum permitted ratio was 5.0-to-1 on a pro forma basis. At December 31, 2002, the maximum permitted debt-to-EBITDA ratio under our revolving credit facility returned to its pre-amendment level of 4.5-to-1. We then drew down the existing capacity of the Three Year Facility and acquired the Val Verde assets. During the fourth quarter of 2002, we repaid $68.0 million of the outstanding balance of the Three Year Facility with proceeds from our November 2002 equity offering (see Note 11. Partners' Capital) and proceeds from the termination of our interest rate swaps (see Note 4. Derivative Financial Instruments). At December 31, 2002, $432.0 million was outstanding under the Three Year Facility at a weighted average interest rate of 2.5%. As of December 31, 2002, we were in compliance with the covenants contained in this credit agreement.

We have entered into an interest rate swap agreement to hedge our exposure to increases in interest rates on the Three Year Facility discussed above. See Note 4. Derivative Financial Instruments.

Short Term Credit Facilities

On April 6, 2001, we entered into a 364-day, $200.0 million revolving credit agreement ("Short-term Revolver"). The interest rate is based, at our option, on either the lender's base rate plus a spread, or LIBOR plus a spread in effect at the time of the borrowings. The credit agreement contains restrictive financial covenants that require us to maintain a minimum level of partners' capital as well as maximum debt-to-EBITDA and minimum fixed charge coverage ratios. On March 28, 2002, the Short-term Revolver was extended for an additional period of 364 days, ending in March 2003. To facilitate our financing of a portion of the purchase price of the Val Verde assets, on June 27, 2002, the Short-term Revolver was amended to increase the maximum permitted debt-to-EBITDA ratio covenant to allow us to incur additional indebtedness. For the twelve month period ending June 30, 2002, the maximum permitted ratio was 5.5-to-1 on a pro forma basis. For the twelve month period ending September 30, 2002, the maximum permitted ratio was 5.0-to-1 on a pro forma basis. At December 31, 2002, the maximum permitted debt-to-EBITDA ratio under our revolving credit facility returned to its pre-amendment level of 4.5-to-1. We then drew down $72.0 million under the Short-term Revolver. In the fourth quarter of 2002, we repaid the existing amounts outstanding under the Short-term Revolver with proceeds we received from the issuance of Limited Partner Units in November and December 2002. At December 31, 2002, no amounts were outstanding under the Short-term Revolver. As of December 31, 2002, we were in compliance with the covenants contained in this credit agreement. In February 2003, we gave notice that we will not renew the Short-term Revolver. As a result, the facility will expire on March 27, 2003.

On September 28, 2001, we entered into a $400.0 million credit facility with SunTrust Bank ("Bridge Facility") payable in June 2002. We borrowed $360.0 million under the Bridge Facility to acquire the Jonah assets (see Note 5. Acquisitions). During the fourth quarter of 2001, we repaid $160.0 million of the outstanding principal from proceeds received from the issuance of Limited Partner Units in November 2001. On February 5, 2002, we drew down an additional $15.0 million under the Bridge Facility. On February 20, 2002, we repaid the outstanding balance of the Bridge Facility of $215.0 million with proceeds from the issuance of the 7.625% Senior Notes and canceled the facility.

On June 27, 2002, we entered into a $200.0 million six-month term loan with SunTrust Bank ("Six-Month Term Loan") payable in December 2002. We borrowed $200.0 million under the Six-Month Term Loan to acquire

the Val Verde assets (see Note 5. Acquisitions). The interest rate was based, at our option, on either the lender's base rate plus a spread, or LIBOR plus a spread in effect at the time of the borrowings. The credit agreement contained restrictive financial covenants that required us to maintain a minimum level of partners' capital as well as maximum debt-to-EBITDA and minimum fixed charge coverage ratios. On July 11, 2002, we repaid $90.0 million of the outstanding principal from proceeds primarily received from the issuance of Limited Partner Units in July 2002. On September 10, 2002, we repaid the remaining outstanding balance of $110.0 million with proceeds received from the issuance of Limited Partner Units in September 2002 (see Note 11. Partners' Capital), and canceled the facility.

The following table summarizes the principal amounts outstanding under our credit facilities as of December 31, 2002 and 2001 (in thousands):

	December 31,	
	2002	2001
Short Term Credit Facilities:		
Short-term Revolver, due March 2003	$ —	$160,000
Bridge Facility, due June 2002	—	200,000
Total Short Term Credit Facilities	$ —	$360,000
Long Term Credit Facilities:		
Three Year Facility, due April 2004	$ 432,000	$340,658
6.45% TE Products Senior Notes, due January 2008	179,845	179,814
7.51% TE Products Senior Notes, due January 2028	210,000	210,000
7.625% Senior Notes, due February 2012	497,995	—
Total borrowings	1,319,840	730,472
Adjustment to carrying value associated with hedges of fair value	57,852	(14,630)
Total Long Term Credit Facilities	$1,377,692	$715,842

NOTE 11. PARTNERS' CAPITAL

On February 6, 2001, we sold in an underwritten public offering 2.0 million Limited Partner Units at $25.50 per Unit. The proceeds from the offering, net of underwriting discount, totaled approximately $48.7 million and were used to reduce borrowings under the Three Year Facility. On March 6, 2001, 250,000 Units were sold upon exercise of the underwriters' over-allotment option granted in connection with the offering on February 6, 2001. Proceeds from that sale totaled $6.1 million and were used for general purposes.

On November 14, 2001, we sold in an underwritten public offering 5.5 million Limited Partner Units at $34.25 per Unit. The proceeds from the offering, net of underwriting discount, totaled approximately $180.3 million and were used to repay $160.0 million under the Bridge Facility that was used to fund the Jonah acquisition. The remaining proceeds were used to finance contributions to Centennial and for other capital expenditures.

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

On July 11, 2002, we sold in an underwritten public offering 3.0 million Limited Partner Units at $30.15 per Unit. The proceeds from the offering, net of underwriting discount, totaled approximately $86.6 million and were used to reduce borrowings under our Six-Month Term Loan. On August 14, 2002, 175,000 Units were sold

upon exercise of the underwriters' over-allotment option granted in connection with the offering on July 11, 2002. Proceeds from that sale totaled $5.1 million and were used for general purposes.

On September 6, 2002, we sold in an underwritten public offering 3.8 million Limited Partner Units at $29.72 per Unit. The proceeds from the offering, net of underwriting discount, totaled approximately $108.1 million and were used to reduce borrowings under our Six-Month Term Loan. On September 19, 2002, 570,000 Units were sold upon exercise of the underwriters' over-allotment option granted in connection with the offering on September 6, 2002. Proceeds from that sale totaled $16.2 million and were used to reduce borrowings under our Short-term Revolver.

On November 7, 2002, we sold in an underwritten public offering 3.3 million Limited Partner Units at $26.83 per Unit. The proceeds from the offering, net of underwriting discount, totaled approximately $84.8 million and were used to reduce borrowings under our Short-term Revolver and Three Year Facility. On December 4, 2002, 495,000 Units were sold upon exercise of the underwriters' over-allotment option granted in connection with the offering on November 7, 2002. Proceeds from that sale totaled $12.7 million and were used to reduce borrowings under our Short-term Revolver and Three Year Facility.

NOTE 12. CONCENTRATIONS OF CREDIT RISK

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

For the years ended December 31, 2002, 2001 and 2000, we had one customer from the Upstream Segment, Valero Energy Corp., which accounted for 16%, 14% and 12%, respectively, of our total consolidated revenues.

The carrying amount of cash and cash equivalents, accounts receivable, inventories, other current assets, accounts payable and accrued liabilities, other current liabilities and notes payable approximates their fair value due to their short-term nature.

NOTE 13. QUARTERLY DISTRIBUTIONS OF AVAILABLE CASH

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

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

The following table reflects the allocation of total distributions paid for the years ended December 31, 2002, 2001 and 2000 (in thousands, except per Unit amounts).

	Years Ended December 31,		
	2002	2001	2000
Limited Partner Units	$104,932	$ 73,961	$59,943
General Partner Ownership Interest	2,329	1,273	685
General Partner Incentive	35,389	20,257	12,938
Total Partners' Capital Cash Distributions	142,650	95,491	73,566
Class B Units	9,204	8,421	7,833
Minority Interest	—	500	832
Total Cash Distributions Paid	$151,854	$104,412	$82,231
Total Cash Distributions Paid Per Unit	$ 2.35	$ 2.15	$ 2.00

On February 7, 2003, we paid a cash distribution of $0.60 per Limited Partner Unit and Class B Unit for the quarter ended December 31, 2002. The fourth quarter 2002 cash distribution totaled $46.5 million.

NOTE 14. UNIT-BASED COMPENSATION

1994 Long Term Incentive Plan

During 1994, the Company adopted the Texas Eastern Products Pipeline Company 1994 Long Term Incentive Plan ("1994 LTIP"). The 1994 LTIP provides certain key employees with an incentive award whereby a participant is granted an option to purchase Limited Partner Units. These same employees are also granted a stipulated number of Performance Units, the cash value of which may be used to pay for the exercise of the respective Limited Partner Unit options awarded. Under the provisions of the 1994 LTIP, no more than one million options and two million Performance Units may be granted.

When our calendar year earnings per unit (exclusive of certain special items) exceeds a stated threshold, each participant receives a credit to their respective Performance Unit account equal to the earnings per unit excess multiplied by the number of Performance Units awarded. The balance in the Performance Unit account may be used to offset the cost of exercising Limited Partner Unit options granted in connection with the Performance Units or may be withdrawn two years after the underlying options expire, usually 10 years from the date of grant. We accrue compensation expense for the Performance Units awarded annually based upon the terms of the plan discussed above.

Under the agreement for such Limited Partner Unit options, the options become exercisable in equal installments over periods of one, two, and three years from the date of the grant. Options may also be exercised by normal means once vesting requirements are met. A summary of Performance Units and Limited Partner Unit options granted under the terms of the 1994 LTIP is presented below:

	Performance Units	Earnings Threshold	Expiration Year
Performance Unit Grants:			
1994	80,000	$ 1.00	2006
1995	70,000	$ 1.25	2007
1997	11,100	$1.875	2009

	Options Outstanding	Options Exercisable	Exercise Range
Limited Partner Unit Options:			
Outstanding at December 31, 1999	338,796	99,096	$13.81-$25.69
Forfeited	(28,000)	(4,000)	$25.25-$25.69
Became exercisable	—	85,365	$21.66-$25.69
Exercised	(19,932)	(19,932)	$13.81-$14.34
Outstanding at December 31, 2000	290,864	160,529	$13.81-$25.69
Forfeited	(2,800)	—	$ 25.25
Became exercisable	—	81,669	$25.25-$25.69
Exercised	(98,376)	(98,376)	$13.81-$25.69
Outstanding at December 31, 2001	189,688	143,822	$13.81-$25.69
Forfeited	—	—	$ 25.25
Became exercisable	—	45,866	$ 25.25
Exercised	(99,597)	(99,597)	$13.81-$25.69
Outstanding at December 31, 2002	90,091	90,091	$13.81-$25.69

We have not granted options for any periods presented. For options outstanding, we followed the intrinsic value method for recognizing stock-based compensation expense. The exercise price of all options awarded under the 1994 LTIP equaled the market price of our Limited Partner Units on the date of grant. Accordingly, we recognized no compensation expense at the date of grant. Had compensation expense been determined consistent with SFAS No. 123, *Accounting for Stock-Based Compensation*, compensation expense related to option grants would have totaled $5,570, $118,820 and $202,634 during the years ended December 31, 2002, 2001 and 2000, respectively. The disclosures as required by SFAS 123 are not representative of the effects on pro forma net income for future years as options vest over several years and additional awards may be granted in subsequent years.

For purposes of determining compensation costs using the provisions of SFAS 123, the fair value of option grants was determined using the Black-Scholes option-valuation model. The key input variables used in valuing the options were:

Risk-free interest rate	4.7%
Dividend yield	7.6%
Unit price volatility	23%
Expected option lives	6 years

1999 and 2002 Phantom Unit Plans

Effective September 1, 1999, the Company adopted the Texas Eastern Products Pipeline Company, LLC 1999 Phantom Unit Retention Plan (“1999 PURP”). Effective June 1, 2002 the Company adopted the Texas Eastern Products Pipeline Company, LLC 2002 Phantom Unit Retention Plan (“2002 PURP”). The 1999 PURP and the 2002 PURP provide key employees with incentive awards whereby a participant is granted phantom units. These phantom units are automatically redeemed for cash based on the vested portion of the fair market value of the phantom units at stated redemption dates. The fair market value of each phantom unit is equal to the closing price of a Limited Partnership Unit as reported on the New York Stock Exchange on the redemption date.

Under the agreement for the phantom units, each participant will vest 10% of the number of phantom units initially granted under his or her award at the end of each of the first four years and will vest the final 60% at the end of the fifth year. Each participant is required to redeem their units as they vest. They are also entitled to quarterly cash distributions equal to the product of the number of phantom units outstanding for the participant and the

amount of the cash distribution that we paid per unit to Limited Partner Unitholders. A total of 58,800 phantom units have been granted under the 1999 PURP, of which 30,330 remain outstanding at December 31, 2002. A total of 71,400 phantom units have been granted under the 2002 PURP, of which all 71,400 remain outstanding at December 31, 2002. We accrue compensation expense annually based upon the terms of the 1999 PURP and 2002 PURP discussed above.

2000 Long Term Incentive Plan

Effective January 1, 2000, the General Partner established the Texas Eastern Products Pipeline Company, LLC 2000 Long Term Incentive Plan ("2000 LTIP") to provide key employees incentives to achieve improvements in our financial performance. Generally, upon the close of a three-year performance period, if the participant is then still an employee of the General Partner, the participant will receive a cash payment in an amount equal to (1) the applicable performance percentage specified in the award multiplied by (2) the number of phantom Limited Partner Units granted under the award multiplied by (3) the average of the closing prices of a Limited Partner Unit over the ten consecutive trading days immediately preceding the last day of the performance period. Generally, a participant's performance percentage is based upon the improvement of our Economic Value Added during a three-year performance period over the Economic Value Added during the three-year period immediately preceding the performance period. The performance percentage may not exceed 150%. If a participant incurs a separation from service during the performance period due to death, disability or retirement (as such terms are defined in the 2000 LTIP), the participant will be entitled to receive a cash payment in an amount equal to the amount computed as described above multiplied by a fraction, the numerator of which is the number of days that have elapsed during the performance period prior to the participant's separation from service and the denominator of which is the number of days in the performance period. At December 31, 2002, phantom Limited Partner Units outstanding were 22,300, 24,013 and 18,425 for awards granted in 2002, 2001 and 2000, respectively.

Economic Value Added means our average annual EBITDA for the performance period minus the product of our average asset base and our cost of capital for the performance period. For purposes of the 2000 LTIP for plan years 2000 through 2002, EBITDA means our earnings before net interest expense, depreciation and amortization and our proportional interest in EBITDA of our joint ventures as presented in our consolidated financial statements prepared in accordance with generally accepted accounting principles, except that in its discretion the Compensation Committee of the General Partner may exclude gains or losses from extraordinary, unusual or non-recurring items. Average asset base means the quarterly average, during the performance period, of our gross value of property, plant and equipment, *plus* products and crude oil linefill and the gross value of intangibles and equity investments. Our cost of capital is approved by the Committee at the date of award grant.

In addition to the payment described above, during the performance period, the General Partner will pay to the Participant the amount of cash distributions that we would have paid to our Unitholders had the participant been the owner of the number of Limited Partner Units equal to the number of phantom Limited Partner Units granted to the participant under this award. The maximum potential payout under the 2000 LTIP is 150% of phantom units awarded. We accrue compensation expense annually based upon the terms of the 2000 LTIP discussed above.

NOTE 15. OPERATING LEASES

We utilize leased assets in several areas of our operations. Total rental expense during the years ended December 31, 2002, 2001 and 2000 was $14.2 million, $10.8 million and $10.7 million, respectively. The following table sets forth our minimum rental payments under our various operating leases for the years ending December 31 (in thousands):

2003	$ 9,479
2004	8,903
2005	8,102
2006	6,035
2007	1,820
Thereafter	1,068
	$35,407

NOTE 16. EMPLOYEE BENEFITS

Retirement Plans

Prior to the transfer of the General Partner interest from Duke Energy to DEFS on April 1, 2000, the Company’s employees participated in the Duke Energy Retirement Cash Balance Plan (“Duke Energy RCBP”), which is a noncontributory, trustee-administered pension plan. In addition, certain executive officers participated in the Duke Energy Executive Cash Balance Plan (“Duke Energy ECBP”), which is a noncontributory, nonqualified, defined benefit retirement plan. The Duke Energy ECBP was established to restore benefit reductions caused by the maximum benefit limitations that apply to qualified plans. Effective January 1, 1999, the benefit formula for all eligible employees was a cash balance formula. Under a cash balance formula, a plan participant accumulates a retirement benefit based upon pay credits and current interest credits. The pay credits are based on a participant’s salary, age, and service. As part of the change in ownership, the Company is no longer responsible for the funding of the liabilities associated with these plans.

Effective April 1, 2000, the Company adopted the TEPPCO Retirement Cash Balance Plan (“TEPPCO RCBP”) and the TEPPCO Supplemental Benefit Plan (“TEPPCO SBP”). The benefits and provisions of these plans are substantially identical to the Duke Energy RCBP and the Duke Energy ECBP previously in effect prior to April 1, 2000.

The components of net pension benefits costs for the TEPPCO RCBP and the TEPPCO SBP for the years ended December 31, 2002, 2001 and 2000, and for the Duke Energy RCBP and the Duke Energy ECBP for the year ended December 31, 2000 were as follows (in thousands):

	2002	2001	2000
Service cost benefit earned during the year	$2,925	$2,419	$2,054
Interest cost on projected benefit obligation	315	129	782
Expected return on plan assets	(390)	(166)	(663)
Amortization of prior service cost	7	8	—
Amortization of net transition liability	—	—	4
Recognized net actuarial loss	12	—	—
Net pension benefits costs	$2,869	$2,390	$2,177

Other Postretirement Benefits

Prior to April 1, 2000, the Company's employees were provided with certain health care and life insurance benefits for retired employees on a contributory and non-contributory basis through Duke Energy ("Duke Energy OPB"). Employees became eligible for these benefits if they had met certain age and service requirements at retirement, as defined in the plans. As part of the change in ownership, the Company is no longer responsible for the funding of the liabilities associated with these plans. Effective January 1, 2001, the Company provided its own plan for health care benefits for retired employees ("TEPPCO OPB").

The Company provides a fixed dollar contribution towards retired employee medical costs. The fixed dollar contribution does not increase from year to year. The retiree pays all health care cost increases due to medical inflation.

The components of net postretirement benefits cost for the Duke Energy OPB for the year ended December 31, 2000, and for the TEPPCO OPB for the years ended December 31, 2002 and 2001, were as follows (in thousands):

	2002	2001	2000
Service cost benefit earned during the year	$115	$ 99	$ 39
Interest cost on accumulated postretirement benefit obligation	119	113	134
Expected return on plan assets	—	—	(85)
Amortization of prior service cost	126	126	(96)
Amortization of net transition liability	—	—	54
Net postretirement benefits costs	$360	$338	$ 46

The weighted average assumptions used in the actuarial computations for the retirement plans and other postretirement benefit plans for the years ended December 31, 2002 and 2001 are as follows:

	Pension Benefits		Other Postretirement Benefits	
	2002	2001	2002	2001
Discount rate	6.75%	7.25%	6.75%	7.25%
Increase in compensation levels	5.00%	5.06%	—	—
Expected long-term rate of return on plan assets	9.00%	9.00%	—	—

The following table sets forth the Company's pension and other postretirement benefits changes in benefit obligation, fair value of plan assets and funded status as of December 31, 2002 and 2001 (in thousands):

	Pension Benefits		Other Postretirement Benefits	
	2002	2001	2002	2001
Change in benefit obligation				
Benefit obligation at beginning of year	$3,786	$1,518	$ 1,781	$ —
Service cost	2,925	2,419	115	99
Interest cost	315	129	118	113
Plan amendments	—	62	—	1,508
Actuarial (gain)/loss	711	(136)	1	57
Retiree contributions	—	—	29	9
Benefits paid	(159)	(206)	(43)	(5)
Benefit obligation at end of year	$7,578	$3,786	$ 2,001	$ 1,781
Change in plan assets				
Fair value of plan assets at beginning of year	$3,959	$ —	$ —	$ —
Actual return on plan assets	(99)	(37)	—	—
Retiree contributions	—	—	29	9
Employer contributions	3,119	4,202	14	(4)
Benefits paid	(159)	(206)	(43)	(5)
Fair value of plan assets at end of year	$6,820	$3,959	$ —	$ —
Reconciliation of funded status				
Funded status	$ (758)	$ 173	$(2,001)	$(1,781)
Unrecognized prior service cost	47	54	1,255	1,381
Unrecognized actuarial loss	1,255	68	58	57
Net amount recognized	$ 544	$ 295	$ (688)	$ (343)

(1) The TEPPCO OPB became effective on January 1, 2001.

Other Plans

DEFS also sponsors an employee savings plan, which covers substantially all employees. Plan contributions on behalf of the Company of $2.8 million, $3.1 million and $2.2 million were expensed during the years ended December 31, 2002, 2001 and 2000, respectively.

NOTE 17. COMMITMENTS AND CONTINGENCIES

In the fall of 1999 and on December 1, 2000, the General Partner and the Partnership were named as defendants in two separate lawsuits in Jackson County Circuit Court, Jackson County, Indiana, styled *Ryan E. McCleery and Marcia S. McCleery, et. al. v. Texas Eastern Corporation, et. al.* (including the General Partner and Partnership) and *Gilbert Richards and Jean Richards v. Texas Eastern Corporation, et. al.* (including the General Partner and Partnership). In both cases, the plaintiffs contend, among other things, that we and other defendants stored and disposed of toxic and hazardous substances and hazardous wastes in a manner that caused the materials to be released into the air, soil and water. They further contend that the release caused damages to the plaintiffs. In

their complaints, the plaintiffs allege strict liability for both personal injury and property damage together with gross negligence, continuing nuisance, trespass, criminal mischief and loss of consortium. The plaintiffs are seeking compensatory, punitive and treble damages. We have filed an answer to both complaints, denying the allegations, as well as various other motions. These cases are not covered by insurance. Discovery is ongoing, and we are defending ourselves vigorously against the lawsuits. The plaintiffs have not stipulated the amount of damages that they are seeking in the suit. We cannot estimate the loss, if any, associated with these pending lawsuits.

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

On April 19, 2002, we, through our subsidiary TEPPCO Crude Oil, L.P., filed a declaratory judgment action in the U.S. District Court for the Western District of Oklahoma against D.R.D. Environmental Services, Inc. ("D.R.D.") seeking resolution of billing and other contractual disputes regarding potential overcharges for environmental remediation services provided by D.R.D. On May 28, 2002, D.R.D. filed a counterclaim for alleged breach of contract in the amount of $2,243,525, and for unspecified damages for alleged tortious interference with D.R.D.'s contractual relations with DEFS. We have denied the counterclaims. Discovery is ongoing. If D.R.D. should be successful, management believes that a substantial portion of the $2,243,525 breach of contract claim will be covered under an indemnity from DEFS. We cannot predict the outcome of the litigation against us; however, we are defending ourselves vigorously against the counterclaim. We do not believe that the outcome of this lawsuit will have a material adverse effect on our financial position, results of operations or cash flows.

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

In February 2002, a producer on the Jonah system sent a letter to Alberta Energy Company implying that as a result of our acquisition of the Jonah system, it may have a right to acquire all or a portion of the assets comprising the Jonah system pursuant to an alleged right of first refusal in a gas gathering agreement between the producer and Jonah. Subsidiaries of Alberta Energy Company have agreed to indemnify us against losses resulting from any breach of representations concerning the absence of third party rights in connection with our acquisition of the entity that owns the Jonah system. We believe that we have adequate legal defenses if the producer should assert a claim, and we also believe that no right of first refusal on any of the underlying Jonah system assets has been triggered.

Our operations are subject to federal, state and local laws and regulations governing the discharge of materials into the environment. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, imposition of injunctions delaying or prohibiting certain activities and the need to perform investigatory and remedial activities. Although we believe our operations are in material compliance with applicable environmental laws and regulations, risks of significant costs and liabilities are inherent in pipeline operations, and we cannot assure you that significant costs and liabilities will not be incurred. Moreover, it is possible that other developments, such as increasingly strict environmental laws and regulations and enforcement policies thereunder, and claims for damages to property or persons resulting from our operations, could result in substantial costs and liabilities to us. We believe that changes in environmental laws and regulations will not have a material adverse effect on our financial position, results of operations or cash flows in the near term.

In 1994, we entered into an Agreed Order with the Indiana Department of Environmental Management ("IDEM") that resulted in the implementation of a remediation program for groundwater contamination attributable to our operations at the Seymour, Indiana, terminal. In 1999, the IDEM approved a Feasibility Study, which includes our proposed remediation program. We expect the IDEM to issue a Record of Decision formally approving the remediation program. After the Record of Decision is issued, we will enter into a subsequent Agreed Order for the continued operation and maintenance of the remediation program. We have an accrued liability of $0.4 million at December 31, 2002, for future remediation costs at the Seymour terminal. We do not expect that the completion of the remediation program will have a future material adverse effect on our financial position, results of operations or cash flows.

In 1994, the Louisiana Department of Environmental Quality ("LDEQ") issued a compliance order for environmental contamination at our Arcadia, Louisiana, facility. This contamination may be attributable to our operations, as well as adjacent petroleum terminals operated by other companies. In 1999, our Arcadia facility and adjacent terminals were directed by the Remediation Services Division of the LDEQ to pursue remediation of this containment phase. At December 31, 2002, we have an accrued liability of $0.2 million for remediation costs at our Arcadia facility. We do not expect that the completion of the remediation program that we have proposed will have a future material adverse effect on our financial position, results of operations or cash flows.

At December 31, 2002, we have an accrued liability of $5.6 million and a receivable of $4.2 million from DEFS related to various TCTM sites requiring environmental remediation activities. The receivable is based on a contractual indemnity obligation we received in connection with our acquisition of assets from a DEFS affiliate in November 1998. The indemnity relates to future environmental remediation activities attributable to operations of these assets prior to our acquisition. Under this indemnity obligation, we are responsible for the first $3.0 million in specified environmental liabilities, and DEFS is responsible for those environmental liabilities in excess of $3.0 million, up to a maximum amount of $25.0 million. The majority of the receivable from DEFS relates to remediation activities at the Velma crude oil site in Stephens County, Oklahoma. The accrued liability balance at December 31, 2002, also includes an accrual of $2.3 million related to the Shelby crude oil site in Stephens County, Oklahoma. At December 31, 2002, it is uncertain if these costs related to Shelby are covered under the indemnity obligation from DEFS. We are currently in discussions with DEFS regarding these matters. We do not expect that the completion of remediation programs associated with TCTM activities will have a future material adverse effect on our financial position, results of operations or cash flows.

Centennial entered into credit facilities totaling $150.0 million, and as of December 31, 2002, $150.0 million was outstanding under those credit facilities. The proceeds were used to fund construction and conversion costs of its pipeline system. Each of the participants in Centennial, including TE Products, originally guaranteed one-third of Centennial's debt up to a maximum amount of $50.0 million. During the third quarter of 2002, PEPL, one of the participants in Centennial, was downgraded by Moody's and Standard & Poors to below investment grade, which resulted in PEPL being in default under its portion of the Centennial guaranty. Effective September 27, 2002, TE Products and Marathon increased their guaranteed amounts to one-half of the debt of Centennial, up to a maximum amount of $75.0 million each, to avoid a default on the Centennial debt. As compensation to TE Products and Marathon for providing their additional guarantees, PEPL was required to pay interest at a rate of 4% per annum to each of TE Products and Marathon on the portion of the additional guaranty that each has provided for PEPL.

In February 2000, we entered into a joint marketing and development alliance with Louis Dreyfus Plastics Corporation, now known as Louis Dreyfus Energy Services, L.P. ("Louis Dreyfus"), in which our Mont Belvieu LPGs storage and transportation shuttle system services were jointly marketed by Louis Dreyfus and TE Products. The purpose of the alliance was to expand services to the upper Texas Gulf Coast energy marketplace by increasing pipeline throughput and the mix of products handled through the existing system and establishing new receipt and delivery connections. The alliance was a service-oriented, fee-based venture with no commodity trading activity. TE Products operated the facilities for the alliance. Under the alliance, Louis Dreyfus invested $6.1 million for expansion projects at Mont Belvieu. The alliance also stipulated that if certain earnings thresholds were achieved, a

partnership between TE Products and Louis Dreyfus was to be created effective January 1, 2003. All terms and earnings thresholds have been met; therefore, we will be contributing our Mont Belvieu assets to the newly formed partnership. The economic terms of the partnership are the same as those under the joint development and marketing alliance. TE Products will continue to operate the facilities for the partnership. The net book value of the Mont Belvieu assets that we are contributing to the partnership is approximately $68.2 million. Our interest in the partnership will be accounted for as an equity investment.

Rates of interstate refined petroleum products and crude oil pipeline companies, like us, are currently regulated by the FERC primarily through an index methodology, which allows a pipeline to change its rates based on the change from year to year in the Producer Price Index for finished goods (“PPI Index”). Effective as of February 24, 2003, FERC Order on Remand modified the PPI Index from PPI – 1% to PPI. In the alternative, interstate refined petroleum products and crude oil pipeline companies may elect to support rate filings by using a cost-of-service methodology, competitive market showings (“Market-Based Rates”) or agreements between shippers and refined petroleum products and crude oil pipeline companies that the rate is acceptable (“Settlement Rates”).

On May 11, 1999, TE Products filed an application with the FERC requesting permission to charge Market-Based Rates for substantially all refined products transportation tariffs. On July 31, 2000, the FERC issued an order granting TE Products Market-Based Rates in certain markets and set for hearing TE Products’ application for Market-Based Rates in certain destination markets and origin markets. After the matter was set for hearing, TE Products and the protesting shippers entered into a settlement agreement resolving their respective differences. On April 25, 2001, the FERC issued an order approving the offer of settlement. As a result of the settlement, TE Products recognized approximately $1.7 million of previously deferred transportation revenue in the second quarter of 2001. As a part of the settlement, TE Products withdrew the application for Market-Based Rates to the Little Rock, Arkansas, and Arcadia and Shreveport-Arcadia, Louisiana, destination markets, which are currently subject to the PPI Index. As a result, we made refunds of approximately $1.0 million in the third quarter of 2001 for those destination markets.

Substantially all of the petroleum products that we transport and store are owned by our customers. At December 31, 2002, TCTM and TE Products had approximately 2.7 million barrels and 17.4 million barrels, respectively, of products in their custody that was owned by customers. We are obligated for the transportation, storage and delivery of such products on behalf of our customers. We maintain insurance adequate to cover product losses through circumstances beyond our control.

NOTE 18. SEGMENT DATA

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

Effective January 1, 2002, we realigned our three business segments to reflect our entry into the natural gas gathering business and the expanded scope of NGLs operations. We transferred the fractionation of NGLs, which was previously reflected as part of the Downstream Segment, to the Midstream Segment. The operation of NGL pipelines, which was previously reflected as part of the Upstream Segment, was also transferred to the Midstream Segment. We have adjusted our period-to-period comparisons to conform with the current presentation.

Our Downstream Segment includes the interstate transportation, storage and terminaling of petroleum products and LPGs and intrastate transportation of petrochemicals. Revenues are earned from transportation and

storage of refined products and LPGs, storage and short-haul shuttle transportation of LPGs at the Mont Belvieu complex, intrastate transportation of petrochemicals, sale of product inventory and other ancillary services. Our Downstream Segment's pipeline system extends from southeast Texas through the central and midwestern United States to the northeastern United States, and is one of the largest pipeline common carriers of refined petroleum products and LPGs in the United States. Our Downstream Segment also includes our equity investment in Centennial.

Our Upstream Segment includes the gathering, transportation, marketing and storage of crude oil and distribution of lubrication oils and specialty chemicals, principally in Oklahoma, Texas and the Rocky Mountain region. Our Upstream Segment also includes the equity earnings from our investment in Seaway. Seaway is a large diameter pipeline that transports crude oil from the U.S. Gulf Coast to Cushing, Oklahoma, a central crude oil distribution point for the Central United States.

Our Midstream Segment includes the fractionation of NGLs in Colorado; the ownership and operation of two trunkline NGL pipelines in South Texas and two NGL pipelines in East Texas; and the gathering of natural gas in the Green River Basin in southwestern Wyoming, through Jonah, which was acquired by our subsidiaries on September 30, 2001. This segment also includes Chaparral, which we acquired on March 1, 2002. Chaparral is an NGL pipeline system that extends from West Texas and New Mexico to Mont Belvieu. The pipeline delivers NGLs to fractionators and to our existing storage in Mont Belvieu. On June 30, 2002, we acquired the Val Verde system, which gathers CBM from the Fruitland Coal Formation of the San Juan Basin in New Mexico and Colorado, and is one of the largest CBM gathering and treating facilities in the United States. The results of operations of the Jonah, Chaparral, and Val Verde acquisitions are included in periods subsequent to September 30, 2001, March 1, 2002, and June 30, 2002, respectively (See Note 5. Acquisitions).

The tables below include financial information by reporting segment for the years ended December 31, 2002, 2001 and 2000 (in thousands):

	Year Ended December 31, 2002					
	Downstream Segment	Upstream Segment	Midstream Segment	Segments Total	Partnership and Other	Consolidated
Revenues	$243,538	$2,861,700	$138,922	$3,244,160	$(1,997)	$3,242,163
Operating expenses, including power	130,324	2,824,106	33,451	2,987,881	(1,997)	2,985,884
Depreciation and amortization expense	30,116	11,186	44,730	86,032	—	86,032
Operating income	83,098	26,408	60,741	170,247	—	170,247
Equity earnings	(6,815)	18,795	—	11,980	—	11,980
Other income, net	832	1,532	269	2,633	(806)	1,827
Earnings before interest	$ 77,115	$ 46,735	$ 61,010	$ 184,860	$ (806)	$ 184,054

	Year Ended December 31, 2001					
	Downstream Segment	Upstream Segment	Midstream Segment	Segments Total	Partnership and Other	Consolidated
Revenues	$264,233	$3,255,260	$37,242	$3,556,735	$(322)	$3,556,413
Operating expenses, including power	119,858	3,227,705	11,482	3,359,045	(322)	3,358,723
Depreciation and amortization expense	26,699	9,263	9,937	45,899	—	45,899
Operating income	117,676	18,292	15,823	151,791	—	151,791
Equity earnings	(1,149)	18,547	—	17,398	—	17,398
Other income, net	1,537	1,188	74	2,799	—	2,799
Earnings before interest	$118,064	$ 38,027	$15,897	$ 171,988	$ —	$ 171,988

	Year Ended December 31, 2000					
	Downstream Segment	Upstream Segment	Midstream Segment	Segments Total	Partnership and Other	Consolidated
Revenues	$229,234	$2,844,245	$14,462	$3,087,941	$ —	$3,087,941
Operating expenses, including power	118,065	2,823,304	2,423	2,943,792	—	2,943,792
Depreciation and amortization expense	25,728	6,282	3,153	35,163	—	35,163
Operating income	85,441	14,659	8,886	108,986	—	108,986
Equity earnings	—	12,214	—	12,214	—	12,214
Other income, net	1,651	(500)	237	1,388	—	1,388
Earnings before interest	$ 87,092	$ 26,373	$ 9,123	$ 122,588	$ —	$ 122,588

The following table provides the total assets for each segment as of December 31, 2002, 2001 and 2000 (in thousands):

	Downstream Segment	Upstream Segment	Midstream Segment	Segments Total	Partnership and Other	Consolidated
2002	$883,450	$724,860	$1,174,010	$2,782,320	$(11,678)	$2,770,642
2001	844,036	694,934	541,195	2,080,165	(14,817)	2,065,348
2000	714,233	752,581	156,662	1,623,476	(666)	1,622,810

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

	Years Ended December 31,		
	2002	2001	2000
Earnings before interest	$184,054	$171,988	$122,588
Interest expense	(70,537)	(66,057)	(48,982)
Interest capitalized	4,345	4,000	4,559
Minority interest	—	(800)	(789)
Net income	$117,862	$109,131	$ 77,376

NOTE 19. COMPREHENSIVE INCOME

SFAS No. 130, *Reporting Comprehensive Income* requires certain items such as foreign currency translation adjustments, minimum pension liability adjustments, and unrealized gains and losses on certain investments to be reported in a financial statement. As of and for the years ended December 31, 2002 and 2001, the components of comprehensive income were due to the interest rate swap related to our variable rate revolving credit facility, which is designated as a cash flow hedge. Changes in the fair value of the cash flow hedge, to the extent the hedge is effective, are recognized in other comprehensive income until the hedge interest costs are recognized in earnings. The table below reconciles reported net income to total comprehensive income for the years ended December 31, 2002, 2001 and 2000 (in thousands).

	Years Ended December 31,		
	2002	2001	2000
Net income	$117,862	$109,131	$77,376
Cumulative effect attributable to adoption of SFAS 133	—	(10,103)	—
Net income (loss) on cash flow hedge	269	(10,221)	—
Total comprehensive income	$118,131	$ 88,807	$77,376

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

Balance at December 31, 2000	$ —
Cumulative effect of accounting change	(10,103)
Net loss on cash flow hedge	(10,221)
Balance at December 31, 2001	$(20,324)
Net income on cash flow hedge	269
Balance at December 31, 2002	$(20,055)

NOTE 20. SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION

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

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

	December 31, 2002				
	TEPPCO Partners, L.P.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	TEPPCO Partners, L.P. Consolidated
			(in thousands)		
Assets					
Current assets	$ 241	$ 92,798	$ 286,379	$ (18,851)	$ 360,567
Property, plant and equipment – net	—	1,128,803	459,021	—	1,587,824
Equity investments	1,011,935	846,991	211,229	(1,785,450)	284,705
Intercompany notes receivable	986,852	—	—	(986,852)	—
Intangible assets	—	434,941	30,433	—	465,374
Other assets	6,200	31,135	34,837	—	72,172
Total assets	$2,005,228	$2,534,668	$1,021,899	$(2,791,153)	$2,770,642
Liabilities and partners’ capital					
Current liabilities	$ 30,715	$ 123,169	$ 272,538	$ (59,639)	$ 366,783
Long-term debt	974,264	403,428	—	—	1,377,692
Intercompany notes payable	—	508,652	437,411	(946,063)	—
Other long term liabilities and minority interest	6,523	24,230	209	—	30,962
Redeemable Class B Units held by related party	103,363	—	—	—	103,363
Total partners’ capital	890,363	1,475,189	311,741	(1,785,451)	891,842
Total liabilities and partners’ capital	$2,005,228	$2,534,668	$1,021,899	$(2,791,153)	$2,770,642

	December 31, 2001				
	TEPPCO Partners, L.P.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	TEPPCO Partners, L.P. Consolidated
			(in thousands)		
Assets					
Current assets	$ 3,100	$ 59,730	$223,345	$ (2,695)	$ 283,480
Property, plant and equipment – net	—	849,978	330,483	—	1,180,461
Equity investments	669,370	309,080	222,815	(909,041)	292,224
Intercompany notes receivable	700,564	11,269	7,404	(719,237)	—
Intangible assets	—	219,525	31,962	—	251,487
Other assets	3,853	24,923	33,424	(4,504)	57,696
Total assets	$1,376,887	$1,474,505	$849,433	$(1,635,477)	$2,065,348
Liabilities and partners’ capital					
Current liabilities	$ 367,094	$ 361,547	$310,476	$ (370,275)	$ 668,842
Long-term debt	340,658	375,184	—	—	715,842
Intercompany notes payable	—	45,410	294,801	(340,211)	—
Other long term liabilities and minority interest	—	22,994	231	8,628	31,853
Redeemable Class B Units held by related party	105,630	—	—	—	105,630
Total partners’ capital	563,505	669,370	243,925	(933,619)	543,181
Total liabilities and partners’ capital	$1,376,887	$1,474,505	$849,433	$(1,635,477)	$2,065,348

	Year Ended December 31, 2002				
	TEPPCO Partners, L.P.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	TEPPCO Partners, L.P. Consolidated
			(in thousands)		
Operating revenues	$ —	$336,045	$2,908,115	$ (1,997)	$3,242,163
Costs and expenses	—	216,552	2,857,361	(1,997)	3,071,916
Operating income	—	119,493	50,754	—	170,247
Interest expense – net	(51,947)	(40,651)	(26,347)	52,753	(66,192)
Equity earnings	117,862	59,428	18,795	(184,105)	11,980
Other income – net	51,947	967	1,666	(52,753)	1,827
Net income	$117,862	$139,237	$ 44,868	$(184,105)	$ 117,862

	Year Ended December 31, 2001				
	TEPPCO Partners, L.P.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	TEPPCO Partners, L.P. Consolidated
			(in thousands)		
Operating revenues	$ —	$273,379	$3,283,356	$ (322)	$3,556,413
Costs and expenses	—	152,558	3,252,386	(322)	3,404,622
Operating income	—	120,821	30,970	—	151,791
Interest expense – net	(40,143)	(30,605)	(31,452)	40,143	(62,057)
Equity earnings	109,131	18,178	18,547	(128,458)	17,398
Other income – net	40,143	1,537	1,262	(40,143)	2,799
Income before minority interest	109,131	109,931	19,327	(128,458)	109,931
Minority interest	—	—	—	(800)	(800)
Net income	$109,131	$109,931	$ 19,327	$(129,258)	$ 109,131

	Year Ended December 31, 2000				
	TEPPCO Partners, L.P.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	TEPPCO Partners, L.P. Consolidated
			(in thousands)		
Operating revenues	$ —	$229,234	$2,858,707	$ —	$3,087,941
Costs and expenses	—	143,793	2,835,162	—	2,978,955
Operating income	—	85,441	23,545	—	108,986
Interest expense – net	(17,773)	(27,529)	(16,894)	17,773	(44,423)
Equity earnings	77,376	18,602	12,214	(95,978)	12,214
Other income – net	17,773	1,651	(263)	(17,773)	1,388
Income before minority interest	77,376	78,165	18,602	(95,978)	78,165
Minority interest	—	—	—	(789)	(789)
Net income	$ 77,376	$ 78,165	$ 18,602	$(96,767)	$ 77,376

	Year Ended December 31, 2002				
	TEPPCO Partners, L.P.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	TEPPCO Partners, L.P. Consolidated
			(in thousands)		
Cash flows from operating activities					
Net income	$ 117,862	$ 139,237	$ 44,869	$ (184,106)	$ 117,862
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	—	66,175	19,857	—	86,032
Earnings in equity investments, net of distributions	33,994	(2,496)	11,586	(24,683)	18,401
Changes in assets and liabilities and other	(269,102)	48,638	40,253	192,833	12,622
Net cash provided by operating activities	(117,246)	251,554	116,565	(15,956)	234,917
Cash flows from investing activities	(378,039)	(1,150,967)	(253,879)	1,058,170	(724,715)
Cash flows from financing activities	495,285	904,006	138,210	(1,042,214)	495,287
Net increase (decrease) in cash and cash equivalents	—	4,593	896	—	5,489
Cash and cash equivalents at beginning of period	—	3,654	21,825	—	25,479
Cash and cash equivalents at end of period	$ —	$ 8,247	$ 22,721	$ —	$ 30,968

	Year Ended December 31, 2001				
	TEPPCO Partners, L.P.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	TEPPCO Partners, L.P. Consolidated
			(in thousands)		
Cash flows from operating activities					
Net income	$ 109,131	$ 109,931	$ 19,327	$(129,258)	$ 109,131
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	—	31,226	14,673	—	45,899
Earnings in equity investments, net of distributions	(5,219)	10,131	13,417	(3,952)	14,377
Changes in assets and liabilities and other	2,874	16,850	(20,783)	800	(259)
Net cash provided by operating activities	106,786	168,138	26,634	(132,410)	169,148
Cash flows from investing activities	(498,711)	(514,178)	(43,687)	498,711	(557,865)
Cash flows from financing activities	391,925	340,529	20,947	(366,301)	387,100
Net increase (decrease) in cash and cash equivalents	—	(5,511)	3,894	—	(1,617)
Cash and cash equivalents at beginning of period	—	9,166	17,930	—	27,096
Cash and cash equivalents at end of period	$ —	$ 3,655	$ 21,824	$ —	$ 25,479

	Year Ended December 31, 2000				
	TEPPCO Partners, L.P.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	TEPPCO Partners, L.P. Consolidated
			(in thousands)		
Cash flows from operating activities					
Net income	$ 77,376	$ 78,165	$ 18,602	$ (96,767)	$ 77,376
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	—	25,728	9,435	—	35,163
Earnings in equity investments, net of distributions	4,025	(1,962)	(10,260)	(1,887)	(10,084)
Changes in assets and liabilities and other	7,242	1,046	845	(3,543)	5,590
Net cash provided by operating activities	88,643	102,977	18,622	(102,197)	108,045
Cash flows from investing activities	(535,048)	(67,225)	(434,113)	542,192	(494,194)
Cash flows from financing activities	446,405	(42,870)	417,112	(439,995)	380,652
Net increase (decrease) in cash and cash equivalents	—	(7,118)	1,621	—	(5,497)
Cash and cash equivalents at beginning of period	—	16,284	16,309	—	32,593
Cash and cash equivalents at end of period	$ —	$ 9,166	$ 17,930	$ —	$ 27,096

NOTE 21. QUARTERLY FINANCIAL INFORMATION (UNAUDITED) (1)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
		(in thousands, except per Unit amounts)		
2002 (2)				
Operating revenues	$631,137	$ 888,329	$880,804	$841,893
Operating income	37,586	37,356	47,087	48,218
Net income	26,808	24,377	32,093	34,584
Basic and Diluted income per Limited Partner and Class B Unit (2)	$ 0.46	$ 0.39	$ 0.48	$ 0.46
2001 (3)				
Operating revenues	$785,235	$1,073,682	$990,816	$706,680
Operating income	36,465	53,247	27,352	34,727
Net income	25,735	43,038	19,092	21,266
Basic income per Limited Partner and Class B Unit (3)	$ 0.55	$ 0.90	$ 0.35	$ 0.40
Diluted income per Limited Partner and Class B Unit (3)	$ 0.55	$ 0.89	$ 0.35	$ 0.40

(1) Certain reclassifications have been made to the quarterly information to conform with the current presentation.

(2) Per Unit calculation includes 2,000,000 Limited Partner Units issued in February 2001, 250,000 Limited Partner Units issued in March 2001, and 5,500,000 Limited Partner Units issued in November 2001.

(3) Per Unit calculation includes 1,920,000 Limited Partner Units issued in March 2002, 3,175,000 Limited Partner Units issued in July and August 2002, 4,370,000 Limited Partner Units issued in September 2002, 3,300,000 Limited Partner Units issued in November 2002, 495,000 Limited Partner Units issued in December 2002, and 99,597 Limited Partner Units issued through the exercise of Unit options in 2002.

NOTE 22. SUBSEQUENT EVENTS

On January 30, 2003, we received $197.3 million in net proceeds, after underwriting discount, from the issuance of $200.0 million principal amount of 6.125% Senior Notes due 2013. The 6.125% Senior Notes were issued at a discount of $1.4 million and will be accreted to their face value over the term of the notes. We used $182.0 million of the proceeds from the offering to reduce the outstanding principal on the Three Year Facility to $250.0 million. The balance of the proceeds of $15.3 million was used for general purposes. The Senior Notes may be redeemed at any time at our option with the payment of accrued interest and a make-whole premium determined by discounting remaining interest and principal payments using a discount rate equal to the rate of the United States Treasury securities of comparable remaining maturity plus 35 basis points. The indenture governing our 6.125% Senior Notes contains covenants, including, but not limited to, covenants limiting the creation of liens securing indebtedness and sale and leaseback transactions. However, the indenture does not limit our ability to incur additional indebtedness. Our Guarantor Subsidiaries issued unconditional guarantees of these Senior Notes (see Note 20. Supplemental Condensed Consolidating Financial Information).

In January 2003, TE Products entered into a pipeline capacity lease agreement with Centennial for a period of five years. On February 10, 2003, TE Products acquired an additional interest in Centennial from PEPL for $20.0 million, increasing its percentage ownership in Centennial to 50%. Upon closing of the acquisition, TE Products and Marathon each own a 50% ownership interest in Centennial. In connection with the acquisition of the additional interest in Centennial, the guaranty agreement between TE Products, Marathon and PEPL was terminated. TE Products' guaranty of up to a maximum of $75.0 million of Centennial's debt remains in effect.

INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENT SCHEDULE

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

Under date of January 22, 2003, except as to note 22 which is as of February 10, 2003, we reported on the consolidated balance sheets of TEPPCO Partners, L.P. as of December 31, 2002 and 2001, and the related consolidated statements of income, partners' capital, and cash flows for each of the years in the three-year period ended December 31, 2002. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule. This consolidated financial statement schedule is the responsibility of the Partnership's management. Our responsibility is to express an opinion on the consolidated financial statement schedule based on our audits.

In our opinion, the consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

KPMG LLP

Houston, Texas
January 22, 2003

SCHEDULE II
TEPPCO PARTNERS, L.P.
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
FOR THE YEARS ENDED DECEMBER 31, 2000, 2001 AND 2002
(in thousands)

	Balance at Beginning of Period	Additions Related to Acquisitions	Charged to Costs and Expenses	Deductions and Other	Balance at End of Period
Environmental Reserve:					
Year Ended December 31, 2000	$(5,089)	$ —	$ (497)	$1,938	$(3,648)
Year Ended December 31, 2001	(3,648)	(300)	(8,691)	6,205	(6,434)
Year Ended December 31, 2002	(6,434)	—	(5,785)	4,526	(7,693)
Allowance For Doubtful Accounts:					
Year Ended December 31, 2000	$ —	$ —	$ —	$ —	$ —
Year Ended December 31, 2001	—	—	(4,422)	—	(4,422)
Year Ended December 31, 2002	(4,422)	—	(325)	139	(4,608)

Exhibit Index

Exhibit Number	Description
3.1	Certificate of Limited Partnership of TEPPCO Partners, L.P. (Filed as Exhibit 3.2 to the Registration Statement of TEPPCO Partners, L.P. (Commission File No. 33-32203) and incorporated herein by reference).
3.2	Third Amended and Restated Agreement of Limited Partnership of TEPPCO Partners, L.P., dated September 21, 2001 (Filed as Exhibit 3.7 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
4.1	Form of Certificate representing Limited Partner Units (Filed as Exhibit 4.1 to the Registration Statement of TEPPCO Partners, L.P. (Commission File No. 33-32203) and incorporated herein by reference).
4.2	Form of Indenture between TE Products Pipeline Company, Limited Partnership and The Bank of New York, as Trustee, dated as of January 27, 1998 (Filed as Exhibit 4.3 to TE Products Pipeline Company, Limited Partnership's Registration Statement on Form S-3 (Commission File No. 333-38473) and incorporated herein by reference).
4.3	Form of Certificate representing Class B Units (Filed as Exhibit 4.3 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
4.4	Form of Indenture between TEPPCO Partners, L.P., as issuer, TE Products Pipeline Company, Limited Partnership, TCTM, L.P., TEPPCO Midstream Companies, L.P. and Jonah Gas Gathering Company, as subsidiary guarantors, and First Union National Bank, NA, as trustee, dated as of February 20, 2002 (Filed as Exhibit 99.2 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated as of February 20, 2002 and incorporated herein by reference).
4.5	First Supplemental Indenture between TEPPCO Partners, L.P., as issuer, TE Products Pipeline Company, Limited Partnership, TCTM, L.P., TEPPCO Midstream Companies, L.P. and Jonah Gas Gathering Company, as subsidiary guarantors, and First Union National Bank, NA, as trustee, dated as of February 20, 2002 (Filed as Exhibit 99.3 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated as of February 20, 2002 and incorporated herein by reference).
4.6	Second Supplemental Indenture, dated as of June 27, 2002, among TEPPCO Partners, L.P., as issuer, TE Products Pipeline Company, Limited Partnership, TCTM, L.P.,TEPPCO Midstream Companies, L.P., and Jonah Gas Gathering Company, as Initial Subsidiary Guarantors, and Val Verde Gas Gathering Company, L.P., as New Subsidiary

Exhibit Number	Description
	Guarantor, and Wachovia Bank, National Association, formerly known as First Union National Bank, as trustee (Filed as Exhibit 4.6 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 2002 and incorporated herein by reference).
4.7*	Third Supplemental Indenture among TEPPCO Partners, L.P. as issuer, TE Products Pipeline Company, Limited Partnership, TCTM, L.P., TEPPCO Midstream Companies, L.P., Jonah Gas Gathering Company and Val Verde Gas Gathering Company, L.P. as Subsidiary Guarantors, and Wachovia Bank, National Association, as trustee, dated as of January 30, 2003.
10.1+	Duke Energy Corporation Executive Savings Plan (Filed as Exhibit 10.7 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1999 and incorporated herein by reference).
10.2+	Duke Energy Corporation Executive Cash Balance Plan (Filed as Exhibit 10.8 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1999 and incorporated herein by reference).
10.3+	Duke Energy Corporation Retirement Benefit Equalization Plan (Filed as Exhibit 10.9 to Form 10-K for TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1999 and incorporated herein by reference).
10.4+	Texas Eastern Products Pipeline Company 1994 Long Term Incentive Plan executed on March 8, 1994 (Filed as Exhibit 10.1 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1994 and incorporated herein by reference).
10.5+	Texas Eastern Products Pipeline Company 1994 Long Term Incentive Plan, Amendment 1, effective January 16, 1995 (Filed as Exhibit 10.12 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 1999 and incorporated herein by reference).
10.6	Asset Purchase Agreement between Duke Energy Field Services, Inc. and TEPPCO Colorado, LLC, dated March 31, 1998 (Filed as Exhibit 10.14 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1998 and incorporated herein by reference).
10.7	Contribution Agreement between Duke Energy Transport and Trading Company and TEPPCO Partners, L.P., dated October 15, 1998 (Filed as Exhibit 10.16 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
10.8	Guaranty Agreement by Duke Energy Natural Gas Corporation for the benefit of TEPPCO Partners, L.P., dated November 30, 1998, effective November 1, 1998 (Filed as Exhibit 10.17 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
10.9+	Form of Employment Agreement between the Company and Thomas R. Harper, Charles H. Leonard, James C. Ruth, John N. Goodpasture, Leonard W. Mallett, Stephen W. Russell, David E. Owen, and Barbara A. Carroll (Filed as Exhibit 10.20 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
10.10	Services and Transportation Agreement between TE Products Pipeline Company, Limited Partnership and Fina Oil and Chemical Company, BASF Corporation and BASF Fina Petrochemical Limited Partnership, dated February 9, 1999 (Filed as Exhibit 10.22 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1999 and incorporated herein by reference).
10.11	Call Option Agreement, dated February 9, 1999 (Filed as Exhibit 10.23 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1999 and incorporated herein by reference).
10.12+	Texas Eastern Products Pipeline Company Retention Incentive Compensation Plan, effective January 1, 1999 (Filed as Exhibit 10.24 to Form 10-Q of TEPPCO Partners,L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1999 and incorporated herein by reference).

Exhibit Number	Description
10.13+	Form of Employment and Non-Compete Agreement between the Company and J. Michael Cockrell effective January 1, 1999 (Filed as Exhibit 10.29 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1999 and incorporated herein by reference).
10.14+	Texas Eastern Products Pipeline Company Non-employee Directors Unit Accumulation Plan, effective April 1, 1999 (Filed as Exhibit 10.30 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1999 and incorporated herein by reference).
10.15+	Texas Eastern Products Pipeline Company Non-employee Directors Deferred Compensation Plan, effective November 1, 1999 (Filed as Exhibit 10.31 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1999 and incorporated herein by reference).
10.16+	Texas Eastern Products Pipeline Company Phantom Unit Retention Plan, effective August 25, 1999 (Filed as Exhibit 10.32 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1999 and incorporated herein by reference).
10.17	Amended and Restated Purchase Agreement By and Between Atlantic Richfield Company and Texas Eastern Products Pipeline Company With Respect to the Sale of ARCO Pipe Line Company, dated as of May 10, 2000. (Filed as Exhibit 2.1 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 2000 and incorporated herein by reference).
10.18+	Texas Eastern Products Pipeline Company, LLC 2000 Long Term Incentive Plan, Amendment and Restatement, effective January 1, 2000 (Filed as Exhibit 10.28 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2000 and incorporated herein by reference).
10.19+	TEPPCO Supplemental Benefit Plan, effective April 1, 2000 (Filed as Exhibit 10.29 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2000 and incorporated herein by reference).
10.20+	Employment Agreement with Barry R. Pearl (Filed as Exhibit 10.30 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 2001 and incorporated herein by reference).
10.21	Amended and Restated Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent and LC Issuing Bank, and Certain Lenders, dated as of April 6, 2001 ($500,000,000 Revolving Facility) (Filed as Exhibit 10.31 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 2001 and incorporated herein by reference).
10.22	Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent, and Certain Lenders, dated as of April 6, 2001 ($200,000,000 Revolving Facility) (Filed as Exhibit 10.32 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 2001 and incorporated herein by reference).
10.23	Purchase and Sale Agreement By and Among Green River Pipeline, LLC and McMurry Oil Company, Sellers, and TEPPCO Partners, L.P., Buyer, dated as of September 7, 2000. (Filed as Exhibit 10.31 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.24	Credit Agreement Among TEPPCO Partners, L.P. as Borrower, SunTrust Bank, as Administrative Agent and Certain Lenders, dated as of September 28, 2001 ($400,000,000 Term Facility) (Filed as Exhibit 10.32 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.25	Amendment 1, dated as of September 28, 2001, to the Amended and Restated Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent and LC Issuing Bank, and Certain Lenders, dated as of April 6, 2001 ($500,000,000 Revolving Facility) (Filed as Exhibit 10.33 to Form 10-Q of

Exhibit Number	Description
	TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.26	Amendment 1, dated as of September 28, 2001, to the Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent, and Certain Lenders, dated as of April 6, 2001 ($200,000,000 Revolving Facility) (Filed as Exhibit 10.34 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.27	Amendment and Restatement, dated as of November 13, 2001, to the Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent, and Certain Lenders, dated as of April 6, 2001 ($200,000,000 Revolving Facility) (Filed as Exhibit 10.35 to Form 10-K of TEPPCO Partners, L.P (Commission File No. 1-10403) for the year ended December 31, 2001 and incorporated herein by reference).
10.28	Second Amendment and Restatement, dated as of November 13, 2001, to the Amended and Restated Credit Agreement amount TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent and LC Issuing Bank, and Certain Lenders, dated as of April 6, 2001 ($500,000,000 Revolving Facility) (Filed as Exhibit 10.36 to Form 10-K of TEPPCO Partners, L.P (Commission File No. 1-10403) for the year ended December 31, 2001 and incorporated herein by reference).
10.29	Second Amended and Restated Agreement of Limited Partnership of TE Products Pipeline Company, Limited Partnership, dated September 21, 2001 (Filed as Exhibit 3.8 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.30	Amended and Restated Agreement of Limited Partnership of TCTM, L.P., dated September 21, 2001 (Filed as Exhibit 3.9 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.31	Contribution, Assignment and Amendment Agreement among TEPPCO Partners, L.P., TE Products Pipeline Company, Limited Partnership, TCTM, L.P., Texas Eastern Products Pipeline Company, LLC, and TEPPCO GP, Inc., dated July 26, 2001 (Filed as Exhibit 3.6 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 2001 and incorporated herein by reference).
10.32	Certificate of Formation of TEPPCO Colorado, LLC (Filed as Exhibit 3.2 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1998 and incorporated herein by reference).
10.33	Agreement of Limited Partnership of TEPPCO Midstream Companies, L.P., dated September 24, 2001 (Filed as Exhibit 3.10 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.34	Agreement of Partnership of Jonah Gas Gathering Company dated June 20, 1996 as amended by that certain Assignment of Partnership Interests dated September 28, 2001 (Filed as Exhibit 10.40 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2001 and incorporated herein by reference).
10.35	Unanimous Written Consent of the Board of Directors of TEPPCO GP, Inc. dated February 13, 2002 (Filed as Exhibit 10.41 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2001 and incorporated herein by reference).
10.36	Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent and Certain Lenders, as Lenders dated as of March 28, 2002 ($200,000,000 Revolving Credit Facility) (Filed as Exhibit 10.44 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the three months ended March 31, 2002 and incorporated herein by reference).
10.37	Amended and Restated Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank, as Administrative Agent and LC Issuing Bank and Certain Lenders, as Lenders dated as of March 28, 2002 ($500,000,000 Revolving Facility) (Filed as Exhibit 10.45 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the three months ended March 31, 2002 and incorporated herein by reference).

Exhibit Number	Description
10.38	Purchase and Sale Agreement between Burlington Resources Gathering Inc. as Seller and TEPPCO Partners, L.P., as Buyer, dated May 24, 2002 (Filed as Exhibit 99.1 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated as of July 2, 2002 and incorporated herein by reference).
10.39	Credit Agreement among TEPPCO Partners, L.P., as Borrower, SunTrust Bank, as Administrative Agent and Certain Lenders, as Lenders dated as of June 27, 2002 ($200,000,000 Term Facility) (Filed as Exhibit 99.2 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated as of July 2, 2002 and incorporated herein by reference).
10.40	Amendment, dated as of June 27, 2002 to the Amended and Restated Credit Agreement among TEPPCO Partners, L.P., as Borrower, SunTrust Bank, as Administrative Agent, and Certain Lenders, dated as of March 28, 2002 ($500,000,000 Revolving Credit Facility) (Filed as Exhibit 99.3 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated as of July 2, 2002 and incorporated herein by reference).
10.41	Amendment 1, dated as of June 27, 2002 to the Credit Agreement among TEPPCO Partners, L.P., as Borrower, SunTrust Bank, as Administrative Agent and Certain Lenders, dated as of March 28, 2002 ($200,000,000 Revolving Credit Facility) (Filed as Exhibit 99.4 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated as of July 2, 2002 and incorporated herein by reference).
10.42	Agreement of Limited Partnership of Val Verde Gas Gathering Company, L.P., dated May 29, 2002 (Filed as Exhibit 10.48 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 2002 and incorporated herein by reference).
10.43+	Texas Eastern Products Pipeline Company, LLC 2002 Phantom Unit Retention Plan, effective June 1, 2002 (Filed as Exhibit 10.49 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 2002 and incorporated herein by reference).
10.44+*	Amended and Restated TEPPCO Supplemental Benefit Plan, effective November 1, 2002.
10.45+*	Texas Eastern Products Pipeline Company, LLC 2000 Long Term Incentive Plan, Second Amendment and Restatement, effective January 1, 2003.
10.46+*	Amended and Restated Texas Eastern Products Pipeline Company, LLC Management Incentive Compensation Plan, effective January 1, 2003.
10.47+*	Amended and Restated TEPPCO Retirement Cash Balance Plan, effective January 1, 2002.
10.48*	Formation Agreement between Panhandle Eastern Pipe Line Company and Marathon Ashland Petroleum LLC and TE Products Pipeline Company, Limited Partnership, dated as of August 10, 2000.
10.49*	Amended and Restated Limited Liability Company Agreement of Centennial Pipeline LLC dated as of August 10, 2000.
10.50*	Guaranty Agreement, dated as of September 27, 2002, between TE Products Pipeline Company, Limited Partnership and Marathon Ashland Petroleum LLC for Note Agreements of Centennial Pipeline LLC.
10.51*	LLC Membership Interest Purchase Agreement By and Between CMS Panhandle Holdings, LLC, As Seller and Marathon Ashland Petroleum LLC and TE Products Pipeline Company, Limited Partnership, Severally as Buyers, dated February 10, 2003.
12.1*	Statement of Computation of Ratio of Earnings to Fixed Charges.
21	Subsidiaries of the Partnership (Filed as Exhibit 21 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 2002 and incorporated herein by reference).
23*	Consent of KPMG LLP.
24*	Powers of Attorney.
99.1*	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.2*	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

EXHIBIT 4.7

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THIRD SUPPLEMENTAL INDENTURE

AMONG

TEPPCO PARTNERS, L.P.

AS ISSUER,

TE PRODUCTS PIPELINE COMPANY, LIMITED PARTNERSHIP,

TCTM, L.P.,

TEPPCO MIDSTREAM COMPANIES, L.P.,

JONAH GAS GATHERING COMPANY

AND

VAL VERDE GAS GATHERING COMPANY, L.P.

AS SUBSIDIARY GUARANTORS,

AND

WACHOVIA BANK, NATIONAL ASSOCIATION

AS TRUSTEE

JANUARY 30, 2003

6.125% SENIOR NOTES DUE 2013

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THIRD SUPPLEMENTAL INDENTURE

THIS THIRD SUPPLEMENTAL INDENTURE, dated as of January 30, 2003 (this "Third Supplemental Indenture"), among TEPPCO Partners, L.P., a Delaware limited partnership (the "Partnership"), TE Products Pipeline Company, Limited Partnership, a Delaware limited partnership ("TE Products"), TCTM, L.P., a Delaware limited partnership ("TCTM"), TEPPCO Midstream Companies, L.P., a Delaware limited partnership ("TEPPCO Midstream"), Jonah Gas Gathering Company, a Wyoming general partnership ("Jonah"), Val Verde Gas Gathering Company, L.P., a Delaware limited partnership ("Val Verde" and together with TE Products, TCTM, TEPPCO Midstream and Jonah, the "Subsidiary Guarantors"), and Wachovia Bank, National Association, a national banking association, as trustee (the "Trustee").

W I T N E S S E T H:

WHEREAS, TE Products, TCTM, TEPPCO Midstream and Jonah (collectively, the "Original Subsidiary Guarantors") and the Partnership have heretofore executed and delivered to the Trustee an Indenture dated as of February 20, 2002 (the "Original Indenture" and, as amended and supplemented by this Third Supplemental Indenture, the "Indenture"), providing for the issuance from time to time of one or more series of the Partnership's Debt Securities, and the Guarantee by each of the Subsidiary Guarantors (as defined therein) of the Debt Securities;

WHEREAS, pursuant to Original Indenture, as amended and supplemented by the First Supplemental Indenture dated as of February 20, 2002 among the Partnership, the Original Subsidiary Guarantors and the Trustee, the Partnership issued $500,000,000 aggregate principal amount of its 7.625% Senior Notes due 2012 (the "2012 Notes");

WHEREAS, Sections 2.01 and 2.03 of the Indenture provide that, without the approval of any Holder, the Partnership and the Subsidiary Guarantors may enter into supplemental indentures to establish the form, terms and provisions of a series of Debt Securities issued pursuant to the Indenture;

WHEREAS, Section 9.01(k) of the Indenture provides that the Partnership and the Subsidiary Guarantors and the Trustee may from time to time enter into one or more indentures supplemental thereto, without the consent of any Holders, to establish the form or terms of Debt Securities of a new series;

WHEREAS, Section 9.01(b) of the Indenture permits the execution of supplemental indentures without the consent of any Holders to add to the covenants of the Partnership or the Subsidiary Guarantors for the benefit of, and to add any additional Events of Default with respect to, all or any series of Debt Securities;

WHEREAS, Section 9.01(i) of the Indenture permits the execution of supplemental indentures without the consent of any Holders to add to, change or eliminate any of the provisions of the Indenture with respect to all or any series of Debt Securities, provided that, among other things, such addition, change or elimination does not apply to any outstanding Debt Security of any series created prior to the execution of such supplemental indenture;

WHEREAS, Section 9.01(i) of the Indenture permits the execution of supplemental indentures without the consent of any Holders to add Subsidiary Guarantors with respect to any or all of the Debt Securities;

WHEREAS, the Partnership desires to issue a series of its Debt Securities under the Indenture, such series to be known as its 6.125% Senior Notes due 2013 (the "2013 Notes"), the issuance of which series was authorized by or pursuant to resolution of the Board of Directors, and the Subsidiary Guarantors desire to Guarantee the 2013 Notes as provided in Article XIV of the Indenture;

WHEREAS, the Partnership, pursuant to the foregoing authority, proposes in and by this Third Supplemental Indenture to supplement and amend the Original Indenture insofar as it will apply only to the 2013 Notes;

WHEREAS, Val Verde is executing and delivering this Third Supplemental Indenture for the purpose of providing a Guarantee of the 2013 Notes, in accordance with the provisions of the Original Indenture;

WHEREAS, all things necessary have been done to make the 2013 Notes, when duly issued by the Partnership and when executed on behalf of the Partnership and authenticated and delivered in accordance with the Indenture, the valid obligations of the Partnership, to make the Guarantee of the 2013 Notes the valid obligation of each of the Subsidiary Guarantors, and to make this Third Supplemental Indenture a valid agreement of the Partnership and the Subsidiary Guarantors, in accordance with their and its terms;

NOW, THEREFORE:

In consideration of the premises provided for herein, the Partnership, the Subsidiary Guarantors and the Trustee mutually covenant and agree for the equal and proportionate benefit of all Holders of the 2013 Notes as follows:

ARTICLE 1

THE 2013 NOTES

SECTION 1.1 Designation of the 2013 Notes; Establishment of Form.

There shall be a series of Debt Securities designated "6.125% Senior Notes due 2013" of the Partnership (the "2013 Notes"), and the form thereof (including the notation of Guarantee thereof) shall be substantially as set forth in Exhibit A hereto, which is incorporated into and shall be deemed a part of this Third Supplemental Indenture, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by the Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as the Partnership may deem appropriate or as may be required or appropriate to comply with any laws or with any rules made pursuant thereto or with the rules of any securities exchange on which the 2013 Notes may be listed, or to conform to general usage, or as may, consistently with the Indenture, be determined by the officers executing such 2013 Notes, as evidenced by their execution of the 2013 Notes.

The 2013 Notes will initially be issued in permanent global form, substantially in the form set forth in Exhibit A hereto, as a Global Security.

The Partnership initially appoints the Trustee to act as paying agent and Registrar with respect to the 2013 Notes.

SECTION 1.2 Amount.

The Trustee shall authenticate and deliver 2013 Notes for original issue in an aggregate principal amount of up to $200,000,000 upon Partnership Order for the authentication and delivery of 2013 Notes. The authorized aggregate principal amount of 2013 Notes may be increased at any time hereafter and the series may be reopened for issuances of additional 2013 Notes, upon Partnership Order without the consent of any Holder. The 2013 Notes issued on the date hereof and any such additional 2013 Notes that may be issued hereafter shall be part of the same series of Debt Securities.

SECTION 1.3 Redemption.

(a) There shall be no sinking fund for the retirement of the 2013 Notes or other mandatory redemption obligation.

(b) The Partnership, at its option, may redeem the 2013 Notes in accordance with the provisions of the 2013 Notes and the Indenture.

SECTION 1.4 Conversion.

The 2013 Notes shall not be convertible into any other securities.

SECTION 1.5 Maturity.

The Stated Maturity of the 2013 Notes shall be February 1, 2013.

SECTION 1.6 Place of Payment.

As long as any 2013 Notes are Outstanding, the Partnership shall maintain in the Borough of Manhattan, The City of New York, an office or agency where the 2013 Notes may be surrendered for registration of transfer or for exchange, an office or agency where the 2013 Notes may be presented for payment, and an office or agency where notices and demands to or upon the Partnership in respect of the 2013 Notes and the Indenture may be served. All of such offices or agencies shall initially be the corporate trust office of the Trustee in the Borough of Manhattan, The City of New York, which on the date of this Third Supplemental Indenture, is located at 40 Broad Street, 5th Floor, New York, New York 10004. The Partnership may also from time to time designate one or more other offices or agencies where the 2013 Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Partnership of its obligation to maintain an office or agency in the Borough of Manhattan, The City of New York, for such purposes.

SECTION 1.7 Subsidiary Guarantors.

The 2013 Notes shall be entitled to the benefits of the Guarantee of each of the Subsidiary Guarantors as provided in Article XIV of the Indenture.

SECTION 1.8 Other Terms of 2013 Notes.

Without limiting the foregoing provisions of this Article 1, the terms of the 2013 Notes shall be as provided in the form of 2013 Notes set forth in Exhibit A hereto and as provided in the Indenture.

ARTICLE 2

AMENDMENTS TO THE INDENTURE

The amendments and supplements contained herein shall apply to 2013 Notes only and not to any other series of Debt Securities issued under the Indenture and any covenants provided herein are expressly being included solely for the benefit of the 2013 Notes. These amendments and supplements shall be effective for so long as there remains any 2013 Notes outstanding.

SECTION 2.1 Definitions.

Section 1.01 of the Original Indenture is amended and supplemented by inserting or restating, as the case may be, in their appropriate alphabetical position, the following definitions:

"Attributable Indebtedness" means with respect to a Sale-Leaseback Transaction, at the time of determination, the lesser of:

(a) the fair market value (as determined in good faith by the Board of Directors) of the assets involved in the Sale-Leaseback Transaction;

(b) the present value of the total net amount of rent required to be paid under the lease involved in such Sale-Leaseback Transaction during the remaining term thereof (including any renewal term exercisable at the lessee's option or period for which such lease has been extended), discounted at the rate of interest set forth or implicit in the terms of such lease or, if not practicable to determine such rate, the weighted average interest rate per annum borne by the 2013 Notes compounded semiannually; and

(c) if the obligation with respect to the Sale-Leaseback Transaction constitutes an obligation that is required to be classified and accounted for as a Capital Lease Obligation for financial reporting purposes in accordance with GAAP, the amount equal to the capitalized amount of such obligation determined in accordance with GAAP and included in the financial statements of the lessee.

For purposes of the foregoing definition, rent will not include amounts required to be paid by the lessee, whether or not designated as rent or additional rent, on account of or contingent upon maintenance and repairs, insurance, taxes, assessments, utilities, water rates, operating charges, labor costs and similar charges. In the case of any lease that is terminable by the lessee upon the payment of a penalty, such net amount shall be the lesser of the net amount determined assuming termination upon the first date such lease may be terminated (in which case the net amount shall also include the amount of the penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated) or the net amount determined assuming no such termination.

"Capital Lease Obligation" means, at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease that would at such time be required to be capitalized on a balance sheet in accordance with GAAP.

"Consolidated Net Tangible Assets" means, at any date of determination, the aggregate amount of total assets included in the most recent consolidated quarterly or annual balance sheet of the Partnership prepared in accordance with GAAP, less applicable reserves reflected in such balance sheet, after deducting the following amounts:

(a) all current liabilities reflected in such balance sheet (excluding any current maturities of long-term debt or any current liabilities that by their terms are extendable or renewable at the option of the obligor to a time more than 12 months after the time as of which the amount is being computed); and

(b) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangibles reflected in such balance sheet.

"Funded Debt" means all Debt maturing one year or more from the date of the incurrence, creation, assumption or guarantee thereof, all Debt directly or indirectly renewable or extendible, at the option of the debtor, by its terms or by the terms of the instrument or agreement relating thereto, to a date one year or more from the date of the incurrence, creation, assumption or guarantee thereof, and all Debt under a revolving credit or similar agreement obligating the lender or lenders to extend credit over a period of one year or more.

"Permitted Liens" include:

(a) Liens existing at, or provided for under the terms of an "after-acquired property" clause or similar term of any agreement existing on the date of, the initial issuance of the 2013 Notes or the terms of any mortgage, pledge agreement or similar agreement existing on such date of initial issuance;

(b) Liens on property, shares of stock, indebtedness or other assets of any Person (which is not a Subsidiary of the Partnership) existing at the time such Person becomes a Subsidiary of the Partnership or is merged into or consolidated with or into the Partnership or any of its Subsidiaries (whether or not the obligations secured thereby are assumed by the Partnership or any of its Subsidiaries), provided that such Liens are not incurred in anticipation of such Person becoming a Subsidiary of the Partnership, or Liens existing at the time of a sale, lease or other disposition of the properties of a Person as an entirety or substantially as an entirety to the Partnership or any of its Subsidiaries;

(c) Liens on property, shares of stock, indebtedness or other assets existing at the time of acquisition thereof by the Partnership or any of its Subsidiaries (whether or not the obligations secured thereby are assumed by the Partnership or any of its Subsidiaries), or Liens thereon to secure the payment of all or any part of the purchase price thereof;

(d) any Lien on property, shares of capital stock, indebtedness or other assets created at the time of the acquisition of same by the Partnership or any of its Subsidiaries or within 12 months after such acquisition to secure all or a portion of the purchase price of such property, capital stock, indebtedness or other assets or indebtedness incurred to finance such purchase price, whether such indebtedness is incurred prior to, at the time of or within one year after the date of such acquisition;

(e) Liens on property, shares of stock, indebtedness or other assets to secure any Debt incurred to pay the costs of construction, development, repair or improvements thereon, or incurred prior to, at the time of, or within 12 months after, the latest of the completion of construction, the completion of development, repair or improvements or the commencement of full commercial operation of such property for the purpose of financing all or any part of, such construction or the making of such development, repair or improvements;

(f) Liens to secure indebtedness owing to the Partnership or any of its Subsidiaries;

(g) Liens on any current assets that secure current liabilities or indebtedness incurred by the Partnership or any of its Subsidiaries;

(h) Liens in favor of the United States of America or any state, territory or possession thereof (or the District of Columbia), or any department, agency, instrumentality or political subdivision of the United States of America or any state, territory or possession thereof (or the District of Columbia), to secure partial, progress, advance or other payments pursuant to any contract or statute or to secure any indebtedness incurred for the purpose of financing all or any part of the purchase price or the cost of constructing, developing, repairing or improving the property subject to such liens;

(i) Liens arising or imposed by reason of any attachment, judgment, decree or order of any regulatory, governmental or court authority or proceeding, so long as any proceeding initiated to review same shall not have been terminated or the period within which such proceeding may be initiated shall not have expired, or such attachment, judgment, decree or order shall otherwise be effectively stayed;

(j) Liens on any capital stock of any Subsidiary of the Partnership that owns an equity interest in a joint venture to secure indebtedness, provided that the proceeds of such indebtedness received by such Subsidiary are contributed or advanced to such joint venture;

(k) the assumption by the Partnership or any of its Subsidiaries of obligations secured by any Lien on property, shares of stock, indebtedness or other assets, which Lien exists at the time of the acquisition by the Partnership or any of its Subsidiaries of such property, shares, indebtedness or other assets or at the time of the acquisition of the Person that owns such property or assets;

(l) Liens on any property to secure bonds for the construction, installation or financing of pollution control or abatement facilities, or other forms of industrial revenue bond financing, or indebtedness issued or guaranteed by the United States, any state or any department, agency or instrumentality thereof;

(m) Liens to secure any refinancing, refunding, extension, renewal or replacement (or successive refinancings, refundings, extensions, renewals or replacements) of any Lien referred to in clauses (a)-(l) above; provided, however, that any Liens permitted by the terms set forth under any of such clauses (a)-(l) shall not extend to or cover any

property of the Partnership or of any of its Subsidiaries, as the case may be, other than the property specified in such clauses and improvements thereto or proceeds therefrom;

(n) Liens deemed to exist by reason of negative pledges in respect of indebtedness;

(o) Liens upon rights-of-way for pipeline purposes;

(p) any statutory or governmental Lien or a Lien arising by operation of law, or any mechanics', repairmen's, materialmen's, supplier's, carrier's, landlord's, warehousemen's or similar Lien incurred in the ordinary course of business which is not yet due or is being contested in good faith by appropriate proceedings and any undetermined Lien which is incidental to construction, development, improvement or repair;

(q) the right reserved to, or vested in, any municipality or public authority by the terms of any right, power, franchise, license, permit or by any provision of law, to purchase or to recapture or to designate a purchaser of, any property;

(r) Liens of taxes and assessments which are for the current year, and are not at the time delinquent or are delinquent but the validity of which are being contested at the time by the Partnership or any of its Subsidiaries in good faith;

(s) Liens of, or to secure the performance of, leases;

(t) Liens upon, or deposits of, any assets in favor of any surety company or clerk of court for the purpose of obtaining indemnity or stay of judicial proceedings;

(u) Liens upon property or assets acquired or sold by the Partnership or any of its Subsidiaries resulting from the exercise of any rights arising out of defaults on receivables;

(v) Liens incurred in the ordinary course of business in connection with workmen's compensation, unemployment insurance, temporary disability, social security, retiree health or similar laws or regulations or to secure obligations imposed by statute or governmental regulations;

(w) Liens securing indebtedness of the Partnership or indebtedness of any Subsidiaries of the Partnership, all or a portion of the net proceeds of which are used, substantially concurrently with the funding thereof (and for purposes of determining "substantial concurrence," taking into consideration, among other things, required notices to be given to Holders of Outstanding Debt Securities under this Indenture (including the 2013 Notes) in connection with such refunding, refinancing, repurchase, and the required durations thereof), to refund, refinance, or repurchase all Outstanding Debt Securities under this Indenture (including the 2013 Notes) including all accrued interest thereon and reasonable fees and expenses and any premium incurred by the Partnership or its Subsidiaries in connection therewith; and

(x) any Lien upon any property, shares of capital stock, indebtedness or other assets to secure indebtedness incurred by the Partnership or any of its Subsidiaries, the proceeds of which, in whole or in part, are used to defease, in a legal or a covenant

defeasance, the obligations of the Partnership on the 2013 Notes or any other series of Debt Securities.

"Principal Property" means, whether owned or leased on the date of the initial issuance of the 2013 Notes or acquired later:

(a) pipeline assets of the Partnership or any of its Subsidiaries, including any related facilities employed in the gathering, transportation, distribution, storage or marketing of natural gas, natural gas liquids, refined petroleum products, liquefied petroleum gases, crude oil or petrochemicals, that are located in the United States of America or any territory or political subdivision thereof; and

(b) any processing or manufacturing plant or terminal owned or leased by the Partnership or any of its Subsidiaries that is located in the United States of America or any territory or political subdivision thereof; except, in the case of either of the foregoing clauses (a) and (b), any such assets consisting of inventories, furniture, office fixtures and equipment (including data processing equipment), vehicles and equipment used on, or useful with, vehicles, and any such assets, plant or terminal which, in the opinion of the Board of Directors, is not material in relation to the activities of the Partnership or of the Partnership and its Subsidiaries, taken as a whole.

"Sale-Leaseback Transaction" means any arrangement with any Person providing for the leasing by the Partnership or any of its Subsidiaries of any Principal Property, which Principal Property has been or is to be sold or transferred by the Partnership or such Subsidiary to such Person, other than:

(a) any such transaction involving a lease for a term (including renewals or extensions exercisable by the Partnership or any of its Subsidiaries) of not more than three years; or

(b) any such transaction between the Partnership and any of its Subsidiaries or between any of its Subsidiaries.

"2013 Notes" means the 6.125% Senior Notes due 2013 of the Partnership to be issued pursuant to this Indenture. For purposes of this Indenture, the term "2013 Notes" shall, except where the context otherwise requires, include the Guarantee.

SECTION 2.2 Redemption.

Article III of the Original Indenture shall be amended and supplemented by inserting the following new section in its entirety:

"Section 3.06. Optional Redemption.

The 2013 Notes may be redeemed at the option of the Partnership at any time and from time to time at the redemption prices described in the 2013 Notes. Any notice to Holders of 2013 Notes of such redemption shall include the appropriate calculation of the redemption price, but need not include the redemption price itself. The actual redemption price, calculated as provided in the 2013 Notes, shall be set forth in an Officers' Certificate delivered to the Trustee no later than two Business Days prior to the redemption date."

SECTION 2.3 Covenants.

Article IV of the Original Indenture shall be amended and supplemented by inserting the following new sections in their entirety:

"Section 4.12. Limitation on Sale-Leaseback Transactions. The Partnership shall not, and shall not permit any of its Subsidiaries to, enter into any Sale-Leaseback Transaction unless:

(a) such Sale-Leaseback Transaction occurs within 12 months from the date of completion of the acquisition of the Principal Property subject thereto or the date of the completion of construction, or development of, or substantial repair or improvement on, or commencement of full operations of, such Principal Property, whichever is later;

(b) the Partnership or such Subsidiary, as the case may be, would be permitted, pursuant to the provisions of this Indenture, to incur Debt, in a principal amount equal to the Attributable Indebtedness with respect to such Sale-Leaseback Transaction, secured by a Lien on the Principal Property subject to such Sale-Leaseback Transaction pursuant to Section 4.13 without equally and ratably securing the 2013 Notes pursuant to such Section; or

(c) the Partnership or such Subsidiary, within a twelve-month period after the effective date of such Sale-Leaseback Transaction, applies or causes to be applied an amount equal to not less than the Attributable Indebtedness from such Sale-Leaseback Transaction either to (a) the voluntary defeasance or the prepayment, repayment, redemption or retirement of any 2013 Notes or other Funded Debt of the Partnership or any Subsidiary that is not subordinated to the Debt Securities, (b) the acquisition, construction, development or improvement of any Principal Property used or useful in the businesses of the Partnership (including the businesses of its Subsidiaries) or (c) any combination of applications referred to in the preceding clause (a) or (b).

Notwithstanding the foregoing provisions of this Section, the Partnership may, and may permit any Subsidiary to, effect any Sale-Leaseback Transaction that is not excepted by clauses (a) through (c), inclusive, of this Section, provided that the Attributable Indebtedness from such Sale-Leaseback Transaction, together with the aggregate principal amount of (i) all other Attributable Indebtedness deemed to be outstanding in respect of all Sale-Leaseback Transactions (exclusive of any such Sale-Leaseback Transactions otherwise permitted under clauses (a) and (c) of this Section) and (ii) all outstanding Debt secured by Liens other than Permitted Liens on any Principal Property or upon any shares of capital stock or indebtedness of any Subsidiary owning or leasing any Principal Property, does not exceed 10% of Consolidated Net Tangible Assets.

Section 4.13. Limitation on Liens. The Partnership shall not, and shall not permit any of its Subsidiaries to, incur, issue, create, assume or guarantee any Lien, other than a Permitted Lien, on any Principal Property or upon any shares of capital stock or indebtedness of any Subsidiary owning or leasing any Principal Property, whether now existing or hereafter created or acquired by the Partnership or such Subsidiary, to secure any Debt of the Partnership or any other Person, without in any such case making effective provision whereby any and all 2013 Notes then Outstanding will be secured by a Lien equally and ratably with, or prior to, such Debt for so long as such Debt shall be so secured. Notwithstanding the foregoing, the Partnership may, and may permit any Subsidiary to, incur, issue, create, assume or guarantee any Lien (other

than a Permitted Lien) on any Principal Property or upon any shares of capital stock or indebtedness of any Subsidiary owning or leasing any Principal Property to secure Debt of the Partnership or any other Person, without securing the 2013 Notes as provided in this Section, provided that the aggregate principal amount of all Debt then outstanding secured by any such Lien together with the aggregate amount of Attributable Indebtedness deemed to be outstanding in respect of all Sale-Leaseback Transactions (exclusive of any such Sale-Leaseback Transactions otherwise permitted under clauses (a) and (c) of Section 4.12), does not exceed 10% of Consolidated Net Tangible Assets.

Section 4.14. Additional Subsidiary Guarantors. If at any time after the original issuance of the 2013 Notes, including following any release of a Subsidiary Guarantor from its Guarantee under this Indenture, any Subsidiary of the Partnership (including any future Subsidiary of the Partnership) guarantees any Funded Debt of the Partnership, then the Partnership shall cause such Subsidiary to guarantee the 2013 Notes and in connection with such guarantee, to execute and deliver an Indenture supplemental hereto pursuant to Section 9.01(g) simultaneously therewith. In order to further evidence its Guarantee, such Subsidiary shall execute and deliver to the Trustee a notation relating to such Guarantee in accordance with Section 14.02."

SECTION 2.4 Events of Default.

The following additional Event of Default shall be added to those in clauses (a)-(g) of Section 6.01 of the Original Indenture in relation to the 2013 Notes:

"(h) default in the payment by the Partnership or any of its Subsidiaries at the Stated Maturity thereof, after the expiration of any applicable grace period, of any principal of any Debt of the Partnership (other than the 2013 Notes) or any of its Subsidiaries (other than the Guarantee of the 2013 Notes) outstanding in an aggregate principal amount in excess of $50,000,000, or the occurrence of any other default thereunder (including, without limitation, the failure to pay interest or any premium), the effect of which default is to cause such Debt to become, or to be declared, due prior to its Stated Maturity and such acceleration is not rescinded within 60 days after there has been given, by registered or certified mail, to the Partnership and the Subsidiary Guarantors by the Trustee or to the Partnership, the Subsidiary Guarantors and the Trustee by the Holders of at least 25% in principal amount of the Outstanding 2013 Notes a written notice specifying such default and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder, and the receipt by the Partnership and the Subsidiary Guarantors of such written notice."

SECTION 2.5 Administration of Trust.

Article VII of the Original Indenture shall be amended and supplemented by inserting the following new section in its entirety:

"Section 7.13. Administration of Trust.

The Trustee shall administer the trust of the Indenture and shall perform a substantial part of its obligations relating to the 2013 Notes and this Indenture at its corporate trust office in The City of New York."

ARTICLE 3

VAL VERDE GUARANTEE

SECTION 3.1 Val Verde Guarantee.

Val Verde hereby acknowledges and agrees that it is a Subsidiary Guarantor with respect to the 2013 Notes and is executing and delivering this Third Supplemental Indenture for the purpose of providing a Guarantee of the 2013 Notes, and accordingly, Val Verde's obligations as Subsidiary Guarantor of the 2013 Notes shall be governed by the Original Indenture, as amended and supplemented by this Third Supplemental Indenture, as may be further amended and supplemented from time to time.

ARTICLE 4

MISCELLANEOUS PROVISIONS

SECTION 4.1 Integral Part.

This Third Supplemental Indenture constitutes an integral part of the Indenture.

SECTION 4.2 General Definitions.

For all purposes of this Third Supplemental Indenture:

(a) capitalized terms used herein without definition shall have the meanings specified in the Original Indenture; and

(b) the terms "herein", "hereof", "hereunder" and other words of similar import refer to this Third Supplemental Indenture.

SECTION 4.3 Adoption, Ratification and Confirmation.

The Original Indenture, as supplemented and amended by this Third Supplemental Indenture, is in all respects hereby adopted, ratified and confirmed.

SECTION 4.4 Counterparts.

This Third Supplemental Indenture may be executed in any number of counterparts, each of which when so executed shall be deemed an original; and all such counterparts shall together constitute but one and the same instrument.

SECTION 4.5 Governing Law.

THIS THIRD SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have caused this Third Supplemental Indenture to be duly executed, all as of the day and year first above written.

TEPPCO PARTNERS, L.P.

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

By: /s/ CHARLES H. LEONARD

Charles H. Leonard
Senior Vice President and Chief Financial Officer

TE PRODUCTS PIPELINE COMPANY,
LIMITED PARTNERSHIP

By: TEPPCO GP, Inc.
Its General Partner

By: /s/ CHARLES H. LEONARD

Charles H. Leonard
Senior Vice President and Chief Financial Officer

TCTM, L.P.

By: TEPPCO GP, Inc.
Its General Partner

By: /s/ CHARLES H. LEONARD

Charles H. Leonard
Senior Vice President and Chief Financial Officer

TEPPCO MIDSTREAM COMPANIES, L.P.

By: TEPPCO GP, Inc.
Its General Partner

By: /s/ CHARLES H. LEONARD

Charles H. Leonard
Senior Vice President and Chief Financial Officer

JONAH GAS GATHERING COMPANY

By: TEPPCO GP, Inc.
Its Managing General Partner

By: /s/ CHARLES H. LEONARD

Charles H. Leonard
Senior Vice President and Chief Financial Officer

VAL VERDE GAS GATHERING COMPANY, L.P.

By: TEPPCO NGL Pipelines, LLC,
Its General Partner

By: /s/ CHARLES H. LEONARD

Charles H. Leonard
Senior Vice President

WACHOVIA BANK, NATIONAL ASSOCIATION, as Trustee

By: /s/ KEVIN M. DOBRAVA

Name: Kevin M. Dobrava
Title: Vice President

EXHIBIT A

[FORM OF FACE OF 2013 NOTE]

[UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), NEW YORK, NEW YORK, TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO HEREIN.](1)

TEPPCO PARTNERS, L.P.
6.125% SENIOR NOTE DUE 2013

No. ___________ $___________

CUSIP No. 872384AB8

TEPPCO Partners, L.P., a Delaware limited partnership (herein called the "Company," which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to ______________________________ or registered assigns the principal sum of _____________________________ Dollars on February 1, 2013 [or such greater or lesser amount as is indicated on the Schedule of Exchanges of Securities attached hereto](2), at the office or agency of the Company referred to below, and to pay interest thereon, commencing on August 1, 2003 and continuing semiannually thereafter, on February 1 and August 1 of each year, from January 30, 2003, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, at the rate of 6.125% per annum, until the principal hereof is paid or duly provided for, and (to the extent lawful) to pay on demand, interest on any overdue interest at the rate borne by the Securities from the date on which such overdue interest becomes payable to the date payment of such interest has been made or duly provided for. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date (other than at maturity) will, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the January 15 or July 15 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date and may be paid to the Person in whose name this Security (or one or more predecessor Securities) is registered at the close of business on a special record date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such special record date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture. Interest on the Securities of this series shall be computed on the basis of a 360-day year comprised of twelve 30-day months.

Payment of the principal of, premium, if any, and interest on this Security will be made at the corporate trust office of the Trustee in New York, New York, or at such other office or agency of the Company in the Borough of Manhattan, The City of New York as may be maintained for such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided however, that payment of interest may be made (i) at the option of the Company by check mailed to Holders at their respective addresses as shown in the Debt Security Register or (ii) at the option of any Holder owning Securities in the principal amount of $500,000 or more, by wire transfer to an account maintained by the Holder located in the United States of America, as specified in a written notice to the Trustee (received prior to the relevant record date) by any such Holder requesting payment by wire transfer and specifying the account to which transfer is requested.

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(1) These paragraphs should be included only if the Debt Security is a Global Security.

(2) This clause should be included only if the Debt Security is a Global Security.

Notwithstanding the foregoing, so long as this Security is registered in the name of a Depositary or its nominee, all payments hereon shall be made by the Company or its agent by wire transfer of immediately available funds to the account of such Depositary or its nominee. The Holder must surrender this Security to a paying agent to collect payment of principal.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been duly executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture, or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed on its behalf by its sole General Partner.

Dated:____________

TEPPCO PARTNERS, L.P.

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

By: ____
Charles H. Leonard
Senior Vice President and Chief Financial Officer

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Debt Securities of the series designated therein referred to in the within-mentioned Indenture.

Dated: ______________

WACHOVIA BANK, NATIONAL ASSOCIATION,
As Trustee

By ____
Authorized Signatory

[FORM OF REVERSE OF 2013 NOTE]

This Security is one of a duly authorized issue of the series of Debt Securities of the Company designated as its 6.125% Senior Notes due 2013 (such series being herein called the "Securities"), which is issued under, with securities of one or more additional series that may be issued under, an indenture dated as of February 20, 2002, among the Company, the Subsidiary Guarantors and Wachovia Bank, National Association, as trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), as amended and supplemented by the Third Supplemental Indenture dated as of January 30, 2003 (such Indenture, as so amended and supplemented, being called the "Indenture"), to which Indenture and all future indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties, obligations and immunities thereunder of the Company, the Subsidiary Guarantors, the Trustee and the Holders of the Securities, and of the terms upon which the Securities are, and are to be, authenticated and delivered.

This Security is redeemable, in whole or in part, at any time and from time to time, at the Company's option, upon at least 30 and not more than 60 days' prior notice as provided in the Indenture, at a redemption price equal to the greater of (1) 100% of the principal amount of this Security then Outstanding to be redeemed, or (2) the sum of the present values of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to the redemption date) from the redemption date to February 1, 2013 computed by discounting such payments to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at a rate equal to the sum of 35 basis points plus the Adjusted Treasury Rate on the third Business Day prior to the redemption date, as calculated by an Independent Investment Banker, plus accrued and unpaid interest, up to, but not including, the redemption date.

For purposes of determining any redemption price, the following definitions are applicable:

"Adjusted Treasury Rate" means, with respect to any redemption date, the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities" for the maturity corresponding to the Optional Redemption Comparable Treasury Issue (if no maturity is within three months before or after the remaining term of this Security, yields for the two published maturities most closely corresponding to the Optional Redemption Comparable Treasury Issue will be determined and the Adjusted Treasury Rate will be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month); or if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semiannual equivalent yield to maturity of the Optional Redemption Comparable Treasury Issue, calculated using a price for the Optional Redemption Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Optional Redemption Comparable Treasury Price for such redemption date.

"Independent Investment Banker" means Wachovia Securities, Inc., or if such firm is unwilling or unable to serve as such, an independent investment banking institution of national standing appointed by the Company.

"Optional Redemption Reference Treasury Dealer" means each of up to five dealers to be selected by the Company and their respective successors; provided that if any of the foregoing ceases to be, and has no affiliate that is, a primary U.S. governmental securities dealer (a "Primary Treasury Dealer"), the Company will substitute for it another Primary Treasury Dealer.

"Optional Redemption Comparable Treasury Issue" means the U.S. Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of this Security that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of this Security, or, if, in the reasonable judgment of the Independent Investment Banker, there is no such security, then the Optional Redemption Comparable Treasury Issue will mean the U.S. Treasury security or securities selected by the Independent Investment Banker as having an actual or interpolated maturity or maturities comparable to the remaining term of this Security.

"Optional Redemption Comparable Treasury Price" means (1) the average of five Optional Redemption Reference Treasury Dealer Quotations for the applicable redemption date, after excluding the highest and lowest Optional Redemption Reference Treasury Dealer Quotations, or (2) if the Independent Investment Banker obtains

fewer than five such Optional Redemption Reference Treasury Dealer Quotations, the average of all such quotations.

"Optional Redemption Reference Treasury Dealer Quotations" means, with respect to each Optional Redemption Reference Treasury Dealer and any Redemption Date for this Security, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Optional Redemption Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker and the Company at 5:00 p.m., New York City time, on the third Business Day preceding such Redemption Date.

In the case of any redemption of Securities, interest installments whose stated maturity is on or prior to the redemption date will be payable to the Holders of such Securities, or one or more predecessor Securities, of record at the close of business on the relevant record date referred to on the face hereof. Securities (or portions thereof) for whose redemption and payment provision is made in accordance with the Indenture shall cease to bear interest from and after the redemption date.

In the event of redemption of this Security in part only, a new Security or Securities for the unredeemed portion hereof shall be issued in the name of the Holder hereof upon the cancellation hereof.

The Securities do not have the benefit of any sinking fund obligations.

As set forth in the Indenture, an Event of Default with respect to the Securities is generally: (a) failure to pay principal upon Stated Maturity, redemption or otherwise; (b) default for 30 days in payment of interest on any of the Securities; (c) failure for 60 days after notice to comply with any other covenants in the Indenture or the Securities; (d) certain payment defaults under, or the acceleration prior to the Stated Maturity of, Debt of the Company or any Subsidiary in an aggregate principal amount in excess of $50,000,000, unless such acceleration is rescinded within 60 days after notice to the Company and the Subsidiary Guarantors as provided in the Indenture; (e) the Guarantee of the Securities by any of the Subsidiary Guarantors ceases to be in full force and effect (except as otherwise provided in the Indenture); and (f) certain events of bankruptcy, insolvency or reorganization of the Company or any Subsidiary Guarantor.

If an Event of Default described in clause (f) in the preceding paragraph occurs, then the principal amount of all Outstanding Securities, premium, if any, and interest thereon shall ipso facto be due and payable immediately. If any other Event of Default with respect to the Securities occurs and is continuing, the Trustee or the holders of at least 25% in aggregate principal amount of the Outstanding Securities may declare the principal amount of all the Securities, premium, if any, and accrued interest thereon to be due and payable immediately. The Indenture provides that such declaration may be rescinded in certain events by the Holders of a majority in principal amount of the Outstanding Securities.

No Holder of the Securities may pursue any remedy under the Indenture unless the Trustee shall have failed to act after notice of an Event of Default with respect to the Securities and written request by Holders of at least 25% in principal amount of the Outstanding Securities, and the offer to the Trustee of indemnity reasonably satisfactory to it; however, such provision does not affect the right to sue for enforcement of any overdue payment on a Security by the Holder thereof. Subject to certain limitations, Holders of a majority in principal amount of the Outstanding Securities may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders notice of any continuing default (except default in payment of principal, premium or interest) if it determines in good faith that withholding the notice is in the interest of the Holders. The Company is required to file a report with the Trustee each year as to the absence or existence of defaults.

The Company's payment obligations under the Securities are jointly and severally guaranteed by the Subsidiary Guarantors. Any Subsidiary Guarantor may be released from its Guarantee of the Securities under the circumstances described in the Indenture.

The Indenture contains provisions for defeasance at any time of (i) the entire indebtedness of the Company and Subsidiary Guarantors on this Security and (ii) certain Events of Default, upon compliance by the Company with certain conditions set forth therein, which provisions apply to this Security.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company or the Subsidiary Guarantors and the rights of the Holders of the

Securities under the Indenture at any time by the Company, the Subsidiary Guarantors and the Trustee with the consent of the Holders of at least a majority in aggregate principal amount of the Securities at the time Outstanding. The Indenture also contains provisions permitting the Holders of at least a majority in principal amount of the Securities at the time Outstanding, on behalf of the Holders of all the Securities, to waive compliance by the Company or the Subsidiary Guarantors with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by or on behalf of the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security. Without the consent of any Holder, the Company, the Subsidiary Guarantors and the Trustee may amend or supplement the Indenture or the Securities to cure any ambiguity, defect or inconsistency, to make other changes that do not adversely affect the rights of any Holder and to make certain other specified changes.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any, on) and interest on this Security at the times, place, and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registerable in the Debt Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Securities are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, the Securities are exchangeable for a like aggregate principal amount of Securities of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax, fee, assessment or other governmental charge payable in connection therewith.

The General Partner and its directors, officers, employees, incorporators and stockholders, as such, shall have no liability for any obligations of the Subsidiary Guarantors or the Company under the Securities, the Indenture or the Guarantee or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder, by accepting this Security, waives and releases all such liability. Such waiver and release are part of the consideration for the issuance of this Security.

Prior to the time of due presentment of this Security for registration of transfer, the Company, Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security is overdue, and neither the Company, the Trustee nor any agent shall be affected by notice to the contrary.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture. The Company will furnish to any Holder upon written request and without charge a copy of the Indenture. Requests may be made to the Company, P. O. Box 2521, Houston, Texas 77252-2521.

Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Securities as a convenience to the Holders thereof. No representation is made as to the accuracy of such numbers as printed on the Securities and reliance may be placed only on the other identifying information printed hereon.

This Security shall be governed by and construed in accordance with the laws of the State of New York.

ASSIGNMENT FORM

(I) or (we) assign and transfer this Security to

____

(Insert assignee's social security or tax I.D. number)

____

____

____

(Print or type assignee's name, address and zip code)

and irrevocably appoint
____ as agent to transfer this Security on the Debt Security Register of the Company. The agent may substitute another to act for him.

Dated:________________

Signature: __________________________________
(Sign exactly as name appears on the face of this Security)

Name:____
Address:_____________________________________

Phone No.:___________________________________

Signature Guarantee

By: ____________________________
Signature guarantor must be an eligible guarantor institution - - a bank or trust company or broker or dealer which is a member of a registered exchange or the NASD.

SCHEDULE OF EXCHANGES OF SECURITIES(3)

The following exchanges, redemptions or repurchases of a part of this Global Security have been made:

PRINCIPAL AMOUNT OF THIS GLOBAL SECURITY FOLLOWING SUCH DECREASE DATE OF EXCHANGE (OR INCREASE)	AUTHORIZED SIGNATORY OF TRUSTEE OR SECURITY CUSTODIAN	AMOUNT OF DECREASE IN PRINCIPAL AMOUNT OF THIS GLOBAL SECURITY	AMOUNT OF INCREASE IN PRINCIPAL AMOUNT OF THIS GLOBAL SECURITY

- ----------

(3) This schedule should be included only if the Debt Security is a Global Security.

NOTATION OF GUARANTEE

Each of the Subsidiary Guarantors (which term includes any successor Person under the Indenture), has fully, unconditionally and absolutely guaranteed, to the extent set forth in the Indenture and subject to the provisions in the Indenture, the due and punctual payment of the principal of, and premium, if any, and interest on the Securities and all other amounts due and payable under the Indenture and the Securities by the Partnership.

The obligations of the Subsidiary Guarantors to the Holders of Securities and to the Trustee pursuant to the Guarantee and the Indenture are expressly set forth in Article XIV of the Indenture and reference is hereby made to the Indenture for the precise terms of the Guarantee.

TE PRODUCTS PIPELINE COMPANY, LIMITED PARTNERSHIP

By: TEPPCO GP, Inc.
Its General Partner

By: ______________________________
Charles H. Leonard
Senior Vice President and Chief Financial Officer

TCTM, L.P.

By: TEPPCO GP, Inc.
Its General Partner

By: ______________________________
Charles H. Leonard
Senior Vice President and Chief Financial Officer

TEPPCO MIDSTREAM COMPANIES, L.P.

By: TEPPCO GP, Inc.
Its General Partner

By: ______________________________
Charles H. Leonard
Senior Vice President and Chief Financial Officer

JONAH GAS GATHERING COMPANY

By: TEPPCO GP, Inc.
Its Managing General Partner

By: ______________________________
Charles H. Leonard
Senior Vice President and Chief Financial Officer

VAL VERDE GAS GATHERING COMPANY, L.P.

By: TEPPCO NGL Pipelines, LLC,
Its General Partner

By: ______________________________
Charles H. Leonard
Senior Vice President

EXHIBIT 10.44

TEPPCO SUPPLEMENTAL BENEFIT PLAN

(AMENDMENT AND RESTATEMENT
EFFECTIVE NOVEMBER 1, 2002)

TEPPCO SUPPLEMENTAL BENEFIT PLAN

WHEREAS, Texas Eastern Products Pipeline Company, LLC, a Delaware limited liability company ("TEPPCO"), established the TEPPCO Supplemental Benefit Plan (the "Plan") to provide deferred compensation for a select group of management or highly compensated employees so as to retain their loyalty and offer a further incentive to them to contribute to the continued growth, development and financial success of TEPPCO; and

WHEREAS, it is intended that the Plan shall constitute a program described in Department of Labor Regulation section 2520.104-23(a);

WHEREAS, TEPPCO desires to amend and restate the Plan to provide additional payment options and to make certain other technical changes;

NOW, THEREFORE, the Plan is hereby amended and restated in its entirety to provide as follows:

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ARTICLE I

DEFINITIONS

The terms defined in this Article 1 shall, for all purposes of the Plan, have the meanings specified herein:

1.01 "ACCRUED BENEFIT" means in the case of any Participant the result of (a) minus (b) where (a) is the Participant's Unlimited Qualified Plan Benefit and (b) is the Participant's Qualified Plan Benefit.

1.02 "ACTUAL RETIREMENT DATE" means the first day of the month that coincides with or next follows the date of the Participant's Separation of Service.

1.03 "ACTUARIAL EQUIVALENt" means a benefit of equivalent value computed on the basis of the interest and mortality assumptions that would be used for purposes of determining the value of the Participant's benefit under the Qualified Plan if he elected to receive his benefit thereunder in the form of a lump sum distribution.

1.04 "AFFILIATE" means an entity that is treated as a single employer together with TEPPCO for certain employee benefit purposes under section 414 of the Code.

1.05 "BENEFICIARY" or "BENEFICIARIES" means the person or persons, or the trust or trusts created for the benefit of a natural person or persons or the Participant's estate, designated by the Participant to receive the benefits payable under the Plan upon his death in accordance with the beneficiary designation procedures of Section 4.04, or the Participant's Spouse to the extent that the Participant's Spouse is entitled to receive death benefits under the Plan.

1.06 "BOARD" means the Board of Directors of TEPPCO.

1.07 "CAUSE" means (a) the willful and continued failure by the Participant to substantially perform his duties with TEPPCO or its Affiliates (other than such failure resulting from his incapacity due to physical or mental illness) after demand for substantial performance is delivered to him by TEPPCO which specifically identifies the manner in which TEPPCO believes the Participant has not substantially performed his duties; (b) the willful engaging by the Participant in gross misconduct materially and demonstrably injurious to the property or business of TEPPCO or any of its Affiliates; or (c) the willful material violation of any TEPPCO policies regarding the protection of confidential and/or proprietary information or the material violation of any non-compete agreement between the Participant and TEPPCO. For purposes of this definition, no act or failure to act on the Participant's part will be considered willful unless done, or omitted to be done, by him not in good faith and without reasonable belief that his action or omission was in the best interests of TEPPCO or its Affiliates or not opposed to the interests of TEPPCO or its Affiliates.

1.08 "CHANGE OF CONTROL" means:

(i) any person becomes the beneficial owner, directly or in- directly, of securities of the Partnership representing 66 percent or more of the Partnership's then outstanding Units; or

(ii) any person becomes the beneficial owner, directly or indirectly, of 50 percent or more of the Units and TEPPCO delivers notice of withdrawal or is otherwise removed as the general partner of the Partnership; or

(iii) the merger or consolidation of the Partnership with one or more corporations, business trusts, common law trusts or unincorporated businesses, including, without limitation, a general partnership, a limited partnership or a limited liability company, pursuant to a written agreement of merger or consolidation in accordance with Article 16 of the Third Amended and Restated Agreement of Limited Partnership of TEPPCO Partners, L.P., dated September 21, 2001, as it may be amended from time to time, and TEPPCO delivers notice of withdrawal or is otherwise removed as the general partner of the Partnership; or

(iv) any person is or becomes the beneficial owner, directly or indirectly, of securities of TEPPCO representing more than 50 percent of the combined voting power of TEPPCO's then outstanding voting securities; or

(v) all or substantially all of the assets and business of TEPPCO, the Partnership, TE Products Pipeline Company, Limited Partnership, a Delaware limited partnership, TCTM, L.P., a Delaware limited partnership, or TEPPCO Midstream Companies, L.P., a Delaware limited partnership, are sold, transferred or assigned to, or otherwise acquired by, any person or persons; or

(vi) the dissolution or liquidation of the Partnership, TE Products Pipeline Company, Limited Partnership, TCTM, L.P., TEPPCO Midstream Companies, L.P., or TEPPCO; or

(vii) the adoption by the Board of a resolution to the effect that any person has acquired effective control of the business and affairs of TEPPCO, the Partnership or TE Products Pipeline Company, Limited Partnership, TEPPCO Midstream Companies, L.P., or TCTM, L.P.

For purposes of this definition, the term "beneficial owner" shall have the meaning set forth in Section 13(d) of the Securities Exchange Act of 1934, as amended, and in the regulations promulgated thereunder. The term "person" shall mean an individual, corporation, partnership, trust, unincorporated organization, association or other entity provided that the term "person" shall not include (a) Duke Energy Corporation ("Duke"), (b) any affiliate of Duke, or (c) any employee benefit plan maintained by Duke or any affiliate of Duke. For purposes of this definition, the term "affiliate" or "affiliates" shall mean when used with respect to a specified person or entity, any other person or entity directly or indirectly controlled by, controlling, or under direct or indirect common control with the specified person or entity. For the purpose of this definition, "control" or "controlled" when used with respect to any specified person or entity means the power to direct the management and policies of that person or entity whether through the ownership of voting securities, membership interest or by contract.

1.09 "CODE" means the Internal Revenue Code of 1986, as amended from time to time.

1.10 "COMMITTEE" means the members of the Compensation Committee of the Board.

1.11 "DISABILITY" means a medically determinable mental or physical impairment which shall prevent the Participant from engaging in any substantial gainful activity and which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve months and which (a) was not contracted, suffered or incurred while the Participant was engaged in, or did not result from having engaged in, a felonious criminal enterprise; (b) did not result from addiction to narcotics; and (c) did not result from an intentionally self-inflicted injury.

1.12 "EARLY RETIREMENT DATE" means the first day of the month that coincides with or next follows a Participant's attainment of age 55.

1.13 "EMPLOYER" or "EMPLOYERS" means TEPPCO and any other Affiliates that adopt the Plan.

1.14 "NORMAL RETIREMENT AGE" means age 65.

1.15 "PARTICIPANT" means a common law employee of an Employer who is selected by the Committee to participate in the Plan, and who meets the requirements of Article II.

1.16 "PARTNERSHIP" means TEPPCO Partners, L.P., a Delaware limited partnership.

1.17 "PLAN" means the TEPPCO Supplemental Benefit Plan.

1.18 "QUALIFIED PLAN" means the TEPPCO Retirement Cash Balance Plan maintained by TEPPCO.

1.19 "QUALIFIED PLAN BENEFIT" means the aggregate of all benefits which would be payable to a Participant from the Qualified Plan on the later of his Early Retirement Date or his Actual Retirement Date. In calculating the amount of the Qualified Plan Benefit, for the purposes of the Plan the following shall apply:

(a) If the normal form of benefit of the Qualified Plan is other than a straight life annuity, the benefit shall be expressed in the form of a straight life annuity by using the actuarial assumptions contained in the Qualified Plan.

(b) The amount of a Participant's Qualified Plan Benefit shall be determined based on the provisions of the Qualified Plan as in effect on the date his benefits under the Plan are determined.

(c) The amount of a Participant's Qualified Plan Benefit shall be determined by disregarding any offset for benefits payable under a retirement plan that was previously maintained by TEPPCO or one of its Affiliates.

1.20 "SEPARATION FROM SERVICE" means the termination of the employment relationship between the Participant and TEPPCO and all Affiliates.

1.21 "SPOUSE" means the person to whom the Participant is married under local law.

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

1.23 "UNIT" means a limited partnership unit in the Partnership.

1.24 "UNLIMITED QUALIFIED PLAN BENEFIT" means the Qualified Plan Benefit which would be payable to a Participant from the Qualified Plan on the later of his Early Retirement Date or his Actual Retirement Date, calculated by (a) disregarding the limitations set forth in sections 401(a)(17) and 415 of the Code and (b) assuming that the Participant had not elected to defer any of his compensation under the Duke Energy Field Services Executive Deferred Compensation Plan or any other deferred compensation program maintained by TEPPCO or an Affiliate.

1.25 "VESTING SERVICE" means service for which the Participant receives credit for vesting purposes under the Qualified Plan.

ARTICLE II

PARTICIPATION

2.01 ELIGIBILITY TO PARTICIPATE. The individuals who shall be eligible to participate in the Plan shall be those individuals who are members of a select group of management or highly compensated employees of an Employer as the Committee shall determine from time to time. An individual will become a Participant when he is notified by the Committee that he is eligible to participate in the Plan. Once an individual has become a Participant, he will continue to participate in the Plan until he is no longer a common law employee of any Employer or the Committee determines that he is no longer in a select group of management or a highly compensated employee of any Employer.

2.02 REEMPLOYMENT. Any person who incurs a Separation From Service shall not be eligible to participate in the Plan upon his reemployment by an Employer unless the Committee

so determines. In such event, the Committee shall specify whether and under what conditions the person shall receive credit for all or any of his service completed prior to reemployment.

ARTICLE III

RETIREMENT BENEFITS

3.01 AMOUNT OF RETIREMENT BENEFIT. Upon a Participant's Separation From Service after he has earned a nonforfeitable interest in his Plan benefit under Article V, the Participant shall be entitled to receive a retirement benefit that is the Actuarial Equivalent of his Accrued Benefit payable at the time payment of such benefit is to commence pursuant to Section 3.02 and in the form specified in Section 3.03.

3.02 TIME OF PAYMENT OF RETIREMENT BENEFIT. A Participant's retirement benefit under the Plan, if any, shall be paid or commence to be paid as soon as administratively feasible after the later of (a) the Participant's Actual Retirement Date or (b) the Participant's Early Retirement Date.

3.03 FORM OF PAYMENT OF RETIREMENT BENEFIT. A Participant's retirement benefit under the Plan, if any, shall be paid in one of the following forms as elected by the Participant pursuant to this Section 3.03:

(a) A single lump sum payment in cash; or

(b) 3, 10 or 15 (as elected by the Participant pursuant to this Section 3.03) annual installment payments.

The amount of each installment payment shall be determined by dividing the Actuarial Equivalent of the Participant's Accrued Benefit on the date the Participant's benefit commences to be paid pursuant to Section 3.02 by the number of annual installments elected by the Participant pursuant to this Section 3.03(b). The Committee may satisfy the Plan's obligation to pay any retirement benefit hereunder in the form of installment payments by purchasing a commercial annuity contract and distributing such contract to the Participant or Beneficiary. Thereupon, the Plan shall have no further liability with respect to the amount used to purchase the annuity contract and such Participant or Beneficiary shall look solely to the company issuing such contract for such annuity payments. All certificates for commercial annuity benefits shall be nontransferable, except for surrender to the issuing company, and no benefit thereunder may be sold, assigned, discounted, or pledged (other than as collateral for a loan from the company issuing same).

A Participant shall elect the form of benefit payment, as provided in this Section 3.03, for his Accrued Benefit in an initial written election in the form required by the Committee, signed by the Participant and filed with the Committee. Such initial written election shall be filed with

the Committee (a) by February 1, 2003, and no later than 18 months before the date the Participant's retirement benefit under the Plan is to be paid or commence to be paid pursuant to Section 3.02, in the case of individuals who are Participants on November 1, 2002 and (b) within thirty (30) days of the date an individual is notified by the Committee that he is eligible to participate in the Plan in the case of individuals who become Participants after November 1, 2002.

A Participant may make one irrevocable election to change the form of benefit payment he or she initially selects in accordance with procedures established by the Committee. Any such change election must be made no later than 18 months before the date the Participant's retirement benefit under the Plan is to be paid or commence to be paid pursuant to Section 3.02. For purposes of calculating the 18-month period with respect to the initial election in the case of individuals who are Participants on November 1, 2002 and the irrevocable change election, such period will commence on the first day of the month immediately following the month in which the election is made.

In the event a valid written election is not on file with the Committee at the time the Participant's retirement benefit is to be paid or commence to be paid pursuant to Section 3.02, the Participant shall be deemed to have elected a single lump sum payment in cash.

ARTICLE IV

DEATH BENEFITS

4.01 AMOUNT OF DEATH BENEFIT.

(a) Participant Who Has A Vested Interest in His Plan Benefit.

If a Participant dies after he has earned a nonforfeitable interest in his Plan benefit under Article V, and before he has been paid his entire Plan benefit, the Participant's Beneficiary shall be entitled to receive a death benefit that is the Actuarial Equivalent of the Participant's Accrued Benefit payable at the time in the form elected by the Participant pursuant to Sections 4.02 and 4.03.

(b) Any Other Participant.

If a Participant incurs his Separation From Service before he has earned a nonforfeitable interest in his Plan benefit, or if the Participant has been paid his retirement benefit under the Plan, there shall be no death benefit payable with respect to the Participant.

4.02 TIME OF PAYMENT OF DEATH BENEFIT. A Participant's death benefit under the Plan, if any, shall be paid or commence to be paid to the Participant's Beneficiary as soon as administratively feasible after the date on which the Participant dies.

4.03 FORM OF PAYMENT OF DEATH BENEFIT. The death benefit, if any, payable to a Beneficiary under the Plan shall be paid in the form elected by the Participant pursuant to Section 3.03.

4.04 DESIGNATION OF BENEFICIARY. Each Participant who does not have a Spouse has the right to designate and to revoke the designation of his Beneficiary. Each designation or revocation must be evidenced by a written document in the form required by the Committee, signed by the Participant and filed with the Committee. If no designation is on file and the Participant is not considered to be married under applicable local law at the time of his death, the Participant's Beneficiary shall be the executor, administrator or other personal representative of the Participant's estate. If a Participant is considered to be married under applicable local law at the time of his death, his Spouse shall be his Beneficiary, and his designation of any other Beneficiary shall not be valid.

ARTICLE V

VESTING

5.01 GENERAL. Subject to Sections 5.03 and 5.04, a Participant has a nonforfeitable interest in his benefit under the Plan when he (a) completes five full years of Vesting Service, (b) attains his Normal Retirement Age on or prior to the date of his Separation From Service, (c) incurs a Disability prior to his Separation From Service, or (d) incurs a Separation From Service due to death. Prior to the occurrence of any of the foregoing four events, a Participant has no vested interest in his Plan benefit and neither he nor his Spouse or Beneficiary shall be entitled to any payment under the Plan upon or following the Participant's Separation From Service.

5.02 FORFEITURE UPON SEPARATION FROM SERVICE. If a Participant incurs a Separation From Service at a time when he does not have a nonforfeitable interest in his Plan benefit, his Plan benefit shall be immediately forfeited.

5.03 COMPLETE FORFEITURE FOR CAUSE. Notwithstanding Section 5.01 of the Plan, if the Committee finds by a majority vote after full consideration of the facts that a Participant was discharged from the employ of TEPPCO or an Affiliate for Cause, the Participant shall immediately forfeit his Plan benefit to the extent he has not yet been paid his Plan benefit. The decision of the Committee as to the cause of the Participant's discharge shall be final. No decision of the Committee shall affect the finality of the discharge of the Participant.

5.04 ACCELERATED VESTING UPON CHANGE OF CONTROL. Notwithstanding any other provisions of the Plan, if a Change of Control occurs prior to a Participant's Separation From Service, such Participant shall have a fully nonforfeitable interest in his Plan benefit.

ARTICLE VI

PLAN COMMITTEE PROCEDURE

6.01 COMMITTEE. The Plan shall be administered by the Committee.

6.02 GENERAL RIGHTS, POWERS AND DUTIES OF THE COMMITTEE. The Committee shall be responsible for the management, operation and administration of the Plan. In addition to any powers, rights and duties set forth elsewhere in the Plan, it shall have the following powers and duties:

(a) to adopt such rules and regulations consistent with the provisions of the Plan as it deems necessary for the proper and efficient administration of the Plan;

(b) to enforce the Plan in accordance with its terms and any rules and regulations it establishes;

(c) to maintain records concerning the Plan sufficient to prepare reports, returns and other information required by the Plan or by law;

(d) to construe and interpret the Plan and to resolve all questions arising under the Plan;

(e) to direct the Employers to pay benefits under the Plan, and to give such other directions and instructions as may be necessary for the proper administration of the Plan;

(f) to employ or retain agents, attorneys, actuaries, accountants or other persons, who may also be employed by or represent TEPPCO, and

(g) to be responsible for the preparation, filing and disclosure on behalf of the Plan of such documents and reports as are required by any applicable federal or state law.

The Committee shall have no power to add to, subtract from or modify any of the terms of the Plan, or to change or add to any benefits provided by the Plan, or to waive or fail to apply any requirements of eligibility for benefits under the Plan.

6.03 RULES AND DECISIONS. The Committee may adopt such rules and actuarial tables as it deems necessary, desirable or appropriate. All rules and decisions of the Committee shall be uniformly and consistently applied to all Participants in similar circumstances. When making a determination or calculation, the Committee shall be entitled to rely upon information furnished to it by a Participant, or Beneficiary, an Employer, or an Employer's actuary or accountant.

6.04 COMMITTEE PROCEDURES. The Committee may act at a meeting or in writing without a meeting. The Committee shall elect one of its members as chairman and appoint a secretary, who may or may not be a Committee member. The Secretary shall keep a record of all meetings and forward all necessary communications to the Employers. The Committee may adopt such bylaws and regulations as it deems desirable for the conduct of its affairs. All decisions of the Committee shall be made by the vote of the majority, including actions in writing taken without a meeting. A dissenting Committee member who, within a reasonable time after he has knowledge of any action or failure to act by the majority, registers his dissent in writing delivered to the other Committee members and TEPPCO, shall not, to the extent permitted by law, be responsible for any such action or failure to act.

6.05 AUTHORIZATION OF BENEFIT PAYMENTS. The Committee shall issue directions to the Employers concerning all benefits which are to be paid by them pursuant to the provisions of the Plan. The Employers shall furnish the Committee such data and information as it may require. The records of the Employers shall be determinative of each Participant's period of employment, termination of employment and the reason therefor, leave of absence, reemployment, and years

of Service. Participants and their beneficiaries shall furnish to the Committee such evidence, data, or information, and execute such documents, as the Committee requests.

6.06 APPLICATION AND FORMS OF BENEFITS. The Committee may require a Participant or former Participant to complete and file with the Committee an application for retirement benefits and all other forms approved by the Committee, and to furnish all pertinent information requested by the Committee. The Committee may rely upon all such information so furnished it, including the Participant's or former Participant's current mailing address.

6.07 FACILITY OF PAYMENT. Whenever, in the Committee's opinion, a person entitled to receive any payment of a benefit or installment thereof hereunder is under a legal disability or is incapacitated in any way so as to be unable to manage his financial affairs, the Committee may direct the Employer to make payments to such person or to his legal representative or to a relative or friend of such person for his benefit, or the Committee may direct the Employer to apply the payment for the benefit of such person in such manner as the Committee considers advisable. Any payment of a benefit or installment thereof in accordance with the provisions of this Section shall be a complete discharge of any liabilities for the making of such payment under the provisions of the Plan.

6.08 CLAIMS PROCEDURE. The Committee shall make all determinations as to the right of any person to receive benefits under the Plan. Any denial by the Committee of a claim for benefits under the Plan by a Participant or his Spouse or Beneficiary (collectively referred to herein as "Claimant") shall be stated in writing by the Committee and delivered or mailed to the Claimant on the 90th day after receipt of the claim, unless special circumstances require an extension of time for processing the claim. If such an extension of time is required, written notice of the extension shall be furnished to the Claimant on the 90th day after receipt of the claim and the claim shall thereafter be paid on the 180th day after the date of receipt of the initial claim. Such notice shall set forth the specific reasons for the denial, specific reference to pertinent provisions of the Plan upon which the denial is based, a description of any additional material or information necessary for the Claimant to perfect his claim with an explanation of why such material or information is necessary, and an explanation of claim review procedures under the Plan written to the best of the Committee's ability in a manner that may be understood without legal or actuarial counsel. A Claimant whose claim for benefits has been wholly or partially denied by the Committee may, within 90 days following the date of such denial, request a review of such denial in a writing addressed to the Committee. The Claimant shall be entitled to submit such issues or comments, in writing or otherwise, as he shall consider relevant to a determination of his claim, and may include in his request a request for a hearing in person before the Committee. Prior to submitting his request, the Claimant shall be entitled to review such documents as the Committee shall agree are pertinent to his claim. The Claimant may, at all stages of review, be represented by counsel, legal or otherwise, of his choice, provided that the fees and expenses of such counsel shall be borne by the Claimant. All requests for review shall be promptly resolved. The Committee's decisions with respect to any such review shall be set forth in writing and shall be mailed to the Claimant on the 60th day following receipt by the Committee of the Claimant's request unless special circumstances, such as the need to hold a hearing, require an extension of time for processing, in which case the Committee's decision shall be so mailed on the 120th day after receipt of such request.

6.09 RESPONSIBILITY. No member of the Committee or of the Board shall be liable to any person for any action taken or omitted in connection with the administration of the Plan unless attributable to his own fraud or willful misconduct; nor shall an Employer be liable to any person for any such action unless attributable to fraud or willful misconduct on the part of a director, officer or employee of such Employer.

ARTICLE VII

AMENDMENT AND TERMINATION

7.01 RIGHT TO AMEND THE PLAN. TEPPCO has the sole right to amend the Plan. An amendment must be (1) in writing, (2) executed by an authorized officer of TEPPCO, and (3) authorized by resolutions of the Board. Notice of any such amendment shall be given in writing to the Committee and to each Participant, former Participant, and Beneficiary of a deceased former Participant. No such amendment, however, shall have the effect of reducing that portion of the benefit the Participant or former Participant ultimately becomes entitled to below that amount he would have received for service to the date of the amendment under the formula set out in the Plan prior to the amendment.

7.02 RIGHT TO TERMINATE THE PLAN. The Board reserves the right to terminate the accrual or vesting of additional benefits under the Plan by any or all Participants at any time by written notice to the Committee. The Committee shall notify any Participant affected by such termination of such action and its effective date. A Participant whose accrual of additional benefits is terminated shall not lose any previously earned and vested benefits, and any such vested benefits shall be payable at the time and in the manner provided in Articles III and IV.

ARTICLE VIII

FUNDING

8.01 PAYMENTS UNDER THE PLAN ARE THE OBLIGATION OF THE EMPLOYERS. Benefits due under the Plan will be paid by the Employers.

8.02 PARTICIPANTS MUST RELY SOLELY ON THE GENERAL CREDIT OF THE EMPLOYERS. The Plan is only a general corporate commitment of the Employers and each Participant must rely solely upon the general credit of his Employer for the fulfillment of its obligations hereunder. Under all circumstances the rights of the Participant to any asset held by the Employers will be no greater than the rights expressed in the Plan. Nothing contained in the Plan will constitute a guarantee by the Employers that the assets of the Employers will be sufficient to pay any benefits under the Plan or would place the Participant in a secured position ahead of general creditors of the Employers; the Participants are only unsecured creditors of the Employers with respect to their Plan benefits and the Plan constitutes a mere promise by the Employers to make benefit payments in the future. No specific assets of the Employers have been or will be set aside, or will be pledged in any way for the performance of the Employers' obligations under the Plan which would remove such assets from being subject to the general creditors of the Employers.

8.03 UNFUNDED ARRANGEMENT. It is intended that the Plan shall be unfunded for tax purposes and for purposes of Title of the Employee Retirement Income Security Act of 1974, as amended.

ARTICLE IX

ADOPTION OF PLAN BY OTHER EMPLOYERS

9.01 ADOPTION PROCEDURE. Any Affiliate may, with the approval of the Board, adopt the Plan by a certified resolution or consent of the board of directors of the adopting Affiliate or an executed adoption instrument (approved by the board of directors of the adopting Affiliate) agreeing to be bound as an Employer by all the terms, conditions and limitations of the instrument and by furnishing all information required by the Committee. The terms of the Plan will apply separately to each Affiliate that adopts the Plan except that the powers of the Board and the Committee under the Plan shall be exercised solely by the Board and the Committee. TEPPCO and each Affiliate that adopts the Plan shall bear the cost of providing Plan benefits for its own Participants. The obligation of each Employer with respect to its Participants shall be the sole obligation of the Employer that is employing the Participant and shall not bind any other Employer.

9.02 NO JOINT VENTURE IMPLIED. The adoption of the Plan by an Employer shall not create a joint venture or partnership relation between it and any other Employer. Any rights, duties, liabilities, and obligations assumed by an Employer, imposed upon it or resulting from the terms of the Plan, shall relate to that Employer alone.

9.03 EXPENSES TO BE SHARED. Each Employer shall pay a proportionate part of the cost of actuarial and other necessary expenses incurred in its administration.

9.04 TRANSFERS AMONG EMPLOYERS. If a Participant is employed by more than one Employer during the term of his participation in the Plan, the costs of providing Plan benefits for such Participant shall be apportioned among the Employers as determined by the Committee based upon the years of service for benefit accrual purposes under the Qualified Plan performed by the Participant for each Employer and the compensation taken into account under the Plan paid to such Participant by each Employer.

9.05 TERMINATION OF PARTICIPATION BY AN AFFILIATE. Any Affiliate that adopts the Plan may, by appropriate action of its board of directors, terminate its participation in the Plan. The Committee may, in its discretion, also terminate an Affiliate's participation in the Plan at any time. The termination of the participation in the Plan by an Affiliate shall not, however, affect the rights of any Participant who is working or has worked for the Affiliate as to his amounts accrued under the Plan prior to the termination of participation.

ARTICLE X

MISCELLANEOUS

10.01 INALIENABILITY OF BENEFITS. The right of any Participant, former Participant or beneficiary to any benefit or payment under the Plan shall not be subject to voluntary or involuntary transfer, alienation, pledge, assignment, garnishment, sequestration or other legal or equitable process. Any attempt to transfer, alienate, pledge, assign or otherwise dispose of such

right or any attempt to subject such right to attachment, execution, garnishment, sequestration or other legal or equitable process shall be null and void.

10.02 NO IMPLIED RIGHTS. Neither the establishment of the Plan nor any modification thereof shall be construed as giving any Participant, former Participant, beneficiary or other person any legal or equitable right unless such right shall be specifically provided for in the Plan or conferred by affirmative action of TEPPCO in accordance with the terms and provisions of the Plan.

10.03 BINDING EFFECT. The provisions of the Plan shall be binding on the Employers, the Committee, and all persons entitled to benefits under the Plan, together with their respective heirs, legal representatives and successors in interest.

10.04 NUMBER AND GENDER. Wherever appropriate, the singular shall include the plural, the plural shall include the singular, and the masculine shall include the feminine or neuter.

10.05 GOVERNING LAW. The Plan shall be construed and administered according to the laws of the State of Texas.

IN WITNESS WHEREOF, effective November 1, 2002, TEPPCO has adopted the Plan as amended and restated herein on the 6th day of March, 2003.

TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC

By: /s/ BARRY R. PEARL

Title: President and Chief Executive Officer

EXHIBIT 10.45

TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC

2000 LONG TERM INCENTIVE PLAN

SECOND AMENDMENT AND RESTATEMENT EFFECTIVE JANUARY 1, 2003

TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC
2000 LONG TERM INCENTIVE PLAN

WHEREAS, Texas Eastern Products Pipeline Company, LLC, a Delaware limited liability company ("TEPPCO"), previously established the Texas Eastern Products Pipeline Company, LLC 2000 Long Term Incentive Plan (the "Plan") for certain key employees so as to offer them a further incentive to increase the earnings of TEPPCO Partners, L.P.;

WHEREAS, it is intended that the Plan shall constitute a bonus program within the meaning of Department of Labor Regulation section 2510.3-2(c) that is exempt from coverage under the Employee Retirement Income Security Act of 1974, as amended;

WHEREAS, TEPPCO desires to clarify certain provisions of the Plan to be consistent with the original intentions of the Board of Directors of TEPPCO;

NOW, THEREFORE, TEPPCO adopts the amendment and restatement of the Plan as follows:

TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC
2000 LONG TERM INCENTIVE PLAN

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ARTICLE I

PLAN PURPOSE AND TERM

1.1 PURPOSE. The Plan is intended to provide those persons who have substantial responsibility for the management and growth of TEPPCO with additional incentives to increase the earnings of TEPPCO Partners, L.P.

1.2 TERM OF PLAN. The Plan is effective January 1, 2000. No awards shall be granted under the Plan after December 31, 2009.

ARTICLE II

DEFINITIONS

The words and phrases defined in this Article shall have the meaning set out in these definitions throughout the Plan, unless the context in which any such word or phrase appears reasonably requires a broader, narrower, or different meaning.

2.1 "AFFILIATE" means an entity that is treated as a single employer together with TEPPCO for certain employee benefit purposes under section 414 of the Code.

2.2 "AVERAGE ASSET BASE" means the quarterly average, during the Performance Period, of the Partnership's gross property, plant and equipment, plus (a) products linefill, (b) crude linefill, (c) goodwill, (d) gross intangible asset value, and (e) equity investments, minus retired capital.

2.3 "AWARD" means a bonus opportunity granted under the Plan.

2.4 "AWARD AGREEMENT " means the written agreement between TEPPCO and a Grantee that sets forth the terms of an Award.

2.5 "BENCHMARK" means the figure specified in an Award Agreement as the baseline for purposes of determining whether there has been improvement in the economic performance of the Partnership. The Benchmark shall be the Economic Value Added for the three-year period immediately preceding the Performance Period, as determined by the Committee (calculated as if the references to "Performance Period" in the definitions of "Economic Value Added", "Average Asset Base" and "Cost of Capital" were references to the three-year period immediately preceding the applicable Performance Period).

2.6 "BOARD" means the board of directors of TEPPCO.

2.7 "CAUSE" means (a) the willful and continued failure by the Grantee to substantially perform his duties with TEPPCO or its Affiliates (other than such failure resulting from his incapacity due to physical or mental illness) after demand for substantial performance is delivered to him by TEPPCO which specifically identifies the manner in which TEPPCO believes the Grantee has not substantially performed his duties; (b) the willful engaging by the Grantee in gross misconduct materially and demonstrably injurious to the property or business of TEPPCO or any of its Affiliates; or (c) the willful material violation of any TEPPCO policies regarding the protection of confidential and/or proprietary information or the material violation of any non-compete agreement between the Grantee and TEPPCO. For purposes of this definition, no act or failure to act on the Grantee's part will be considered willful unless done or omitted to be done, by him not in good faith and without reasonable belief that his action or omission was in the best interests of TEPPCO or its Affiliates or not opposed to the interests of TEPPCO or its Affiliates.

2.8 "CHANGE IN CONTROL" means:

(i) any person becomes the beneficial owner, directly or indirectly, of securities of the Partnership representing 66 percent or more of the Partnership's then outstanding Units; or

(ii) any person becomes the beneficial owner, directly or indirectly, of 50 percent or more of the Units and TEPPCO delivers notice of withdrawal or is otherwise removed as the general partner of the Partnership; or

(iii) the merger or consolidation of the Partnership with one or more corporations, business trusts, common law trusts or unincorporated businesses, including, without limitation, a general partnership, a limited partnership or a limited liability company, pursuant to a written agreement of merger or consolidation in accordance with Article 16 of the Second Amended and Restated Agreement of Limited Partnership of TEPPCO Partners, L.P., dated November 30, 1998, as it may be amended from time to time, and TEPPCO delivers notice of withdrawal or is otherwise removed as the general partner of the Partnership; or

(iv) any person is or becomes the beneficial owner, directly or indirectly, of securities of TEPPCO representing more than 50 percent of the combined voting power of TEPPCO's then outstanding voting securities; or

(v) all or substantially all of the assets and business of TEPPCO, the Partnership, TE Products Pipeline Company, Limited Partnership or TCTM, L.P. are sold, transferred or assigned to, or otherwise acquired by, any person or persons; or

(vi) the dissolution or liquidation of the Partnership, TE Products Pipeline Company, Limited Partnership, TCTM, L.P. or TEPPCO; or

(vii) the adoption by the Board of a resolution to the effect that any person has acquired effective control of the business and affairs of TEPPCO, the Partnership or TE Products Pipeline Company, Limited Partnership or TCTM, L.P.

For purposes of this definition, the term "beneficial owner" shall have the meaning set forth in Section 13(d) of the Securities Exchange Act of 1934, as amended, and in the regulations promulgated thereunder. The term "person" shall mean an individual, corporation, partnership, trust, unincorporated organization, association or other entity provided that the term "person" shall not include (a) Duke Energy Corporation ("Duke"), (b) any affiliate of Duke, or (c) any employee benefit plan maintained by Duke or any affiliate of Duke. For purposes of this definition, the term "affiliate" or "affiliates" shall mean when used with respect to a specified person or entity, any other person or entity directly or indirectly controlled by, controlling, or under direct or indirect common control with the specified person or entity. For the purpose of this definition, "control" or

"controlled" when used with respect to any specified person or entity means the power to direct the management and policies of that person or entity whether through the ownership of voting securities, membership interest or by contract.

2.9 "CODE" means the Internal Revenue Code of 1986, as amended.

2.10 "COMMITTEE" means members of the Compensation Committee of the Board.

2.11 "COST OF CAPITAL" means the weighted average cost of the Partnership's capitalization as approved by the Committee at the date of an Award grant.

2.12 "DISABILITY" means the Separation From Service of a Grantee due to a medically determinable mental or physical impairment which shall prevent the Grantee from engaging in any substantial gainful activity and which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve months and which (a) was not contracted, suffered or incurred while the Grantee was engaged in, or did not result from having engaged in, a felonious criminal enterprise; (b) did not result from addiction to narcotics; (c) did not result from an injury incurred while a member of the Armed Forces of the United States for which the Grantee receives a military pension; and (d) did not result from an intentionally self-inflicted injury.

2.13 "EBITDA" means the Partnership's earnings before minority interest, interest expense-net, other income-net, income taxes, depreciation and amortization as presented in the Partnership's financial statements prepared in accordance with GAAP plus TEPPCO's proportional share of the EBITDA of its equity investments, except that for purposes of the Plan, in its discretion the Committee may exclude gains or losses from extraordinary, unusual or non-recurring items.

2.14 "ECONOMIC VALUE ADDED" means the average annual EBITDA for the Performance Period minus the product of Average Asset Base and the Cost of Capital for such Performance Period.

2.15 "EMPLOYEE" means a person who is employed by TEPPCO as a common law employee.

2.16 "FAIR MARKET VALUE" means the average of the closing prices of a Unit as reported on the New York Stock Exchange, Inc. Composite Transactions Reporting System over the ten consecutive trading days immediately preceding the last day of the Performance Period.

2.17 "GAAP" means United States of America generally accepted accounting principles, consistently applied, or, when none apply, other sound accounting methodology as determined by the Committee.

2.18 "GRANTEE" means an Employee who has been granted an Award under the Plan.

2.19 "LONG TERM INCENTIVE UNIT" means an interest that is awarded under the Plan pursuant to an Award Agreement solely for the purpose of measuring and defining the incentive compensation payable under the Plan.

2.20 "PARTNERSHIP" means TEPPCO Partners, L.P., a Delaware limited partnership.

2.21 "PERFORMANCE PERIOD" means the three-year period of time that commences on the date effective as of which the Award is granted, or such shorter period of time as the Committee specifies in the Award Agreement.

2.22 "PLAN" means the Texas Eastern Products Pipeline Company, LLC 2000 Long Term Incentive Plan, as set forth in this document and as it may be amended from time to time.

2.23 "RETIREMENT" means the Separation From Service of a Grantee after his attaining the age of 55 and completing five Years of Service.

2.24 "SEPARATION FROM SERVICE" means the termination of the employment relationship between the Grantee and TEPPCO and all Affiliates.

2.25 "SPOUSE" means the person to whom the Grantee is married under local law.

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

2.27 "UNIT" means a limited partnership unit in the Partnership.

2.28 "VESTED INTEREST" means a Grantee's nonforfeitable interest in his Award determined under the terms of his Award Agreement.

2.29 "YEARS OF SERVICE" means years of service for which a Grantee is granted credit for vesting purposes under a retirement plan maintained by TEPPCO which is intended to qualify under section 401(a) of the Code.

ARTICLE III

AWARDS

3.1 GRANTING OF AWARDS. The Committee may grant to those officers and other key employees of TEPPCO as it shall determine Awards under the terms and conditions of the Plan.

3.2 TERMS OF AWARDS. The terms of each Award shall be specified in an Award Agreement. An Award Agreement shall specify (a) the number of Long Term Incentive Units subject to the Award, (b) the effective date of the Award, (c) the vesting provisions that shall apply for purposes of determining the Grantee's Vested Interest applicable to the Award (which shall be based upon a specified increase in the Economic Value Added over a Benchmark), (d) the Benchmark applicable to the Award, and (e) any other provisions that the Committee deems appropriate.

3.3 SPECIAL LEDGER. The Committee shall establish or cause to be established an appropriate record that will reflect the name of each Grantee and all other information necessary to properly reflect each Grantee's Awards made by the Committee.

ARTICLE IV

CALCULATION AND PAYMENT OF BENEFITS

4.1 PERIODIC PAYMENTS. Each time a cash distribution is paid to a Unit owner during the Performance Period for which an Award was granted to a Grantee, TEPPCO shall pay to the Grantee, if the Grantee is then an Employee, an amount equal to the product of the number of Long Term Incentive Units granted under the Award and the amount of the cash distribution paid per Unit by the Partnership.

4.2 TERMINAL VALUE PAYMENTS. Except as otherwise specified in an Award Agreement pursuant to Section 4.3, as soon as administratively practicable after the end of the Performance Period, the Committee shall determine the amount of Economic Value Added during the Performance Period. Then, unless the Grantee has incurred a Separation From Service during the Performance Period due to his resignation (other than as a result of his death, Disability or Retirement) or due to the termination of his employment by TEPPCO for Cause, the Committee shall determine the amount of a Grantee's Vested Interest in his Award granted for the Performance Period. If the Grantee is an Employee on the last day of the Performance Period, as soon as administratively practicable after the Performance Period, subject to the following provisions of this Section 4.2, TEPPCO shall pay the Grantee an amount equal to the product of (A), (B) and (C) where (A) is Grantee's Vested Interest in his Award, (B) is the number of the Grantee's Long Term Incentive Units granted under his Award, and (C) is the Fair Market Value of a Unit. If the Grantee incurs a Separation From Service during the Performance Period as a result of his death, Disability or Retirement, then as soon as administratively practicable after the Performance Period, subject to the following provisions of this Section 4.2, TEPPCO shall pay to the Grantee (or in the event of the Grantee's death, his Spouse or estate, as applicable) an amount equal to the product of the amount determined under the preceding sentence and a fraction, the numerator of which is the number of days that have elapsed during the Performance Period prior to the Grantee's Separation From Service and the denominator of which is the number of days in the Performance Period. Except as expressly provided otherwise in an Award Agreement, if TEPPCO does not have sufficient funds to satisfy its obligations under an Award immediately after the expiration of the applicable Performance Period, TEPPCO shall pay to the Grantee amounts due under this Section 4.2 if, as and when TEPPCO has sufficient funds to make payments under the Award. Except as expressly provided otherwise in an Award Agreement, TEPPCO shall not be obligated to borrow funds or use borrowed funds to satisfy its obligations under this Section 4.2.

4.3 CHANGE IN CONTROL. The Committee may specify in an Award Agreement the effect of a Change in Control on an Award.

4.4 FORM OF PAYMENT UNDER AN AWARD. All payments under Awards shall be in the form of cash.

4.5 NO INTEREST ON AWARD. No interest shall be credited with respect to any Award or any payment under an Award.

4.6 PAYMENT(S) ON DEATH OF GRANTEE. Upon the death of a Grantee before he has been paid his entire benefits under his Award, his benefits under his Award shall be paid to the Grantee's Spouse if the Spouse survives the Grantee, or to the Grantee's estate if the Grantee's Spouse does not survive the Grantee. Any payment under this Section 4.6 shall be made at the same time the payment would have been made to the Grantee if he had been alive.

4.7 FORFEITURE FOR CAUSE. Notwithstanding any other provisions of the Plan, if the Committee finds by a majority vote after full consideration of the facts that a Grantee was discharged from the employ of TEPPCO or an Affiliate for Cause, the Grantee shall forfeit all outstanding Awards. The decision of the Committee as to the cause of the Grantee's discharge shall be final. No decision of the Committee shall affect the finality of the discharge of the Grantee.

4.8 ADJUSTMENTS DUE TO CHANGES IN THE PARTNERSHIP'S OR TEPPCO'S CAPITAL STRUCTURE. If the Partnership shall effect a subdivision or consolidation of Units or other capital readjustment, or other increase or reduction of the number of Units outstanding, without receiving compensation for it in money, services or property, then the number of Long Term Incentive Units subject to outstanding Awards under the Plan shall be appropriately adjusted by the Committee in such a manner as to entitle a Grantee to receive the equivalent compensation he would have received under the Award had there been no event requiring the adjustment.

If while Awards remain outstanding under the Plan (a) the Partnership or TEPPCO shall not be the surviving entity in any merger, consolidation or other reorganization (or survives only as a subsidiary of an entity other than an entity that was wholly-owned by the Partnership or TEPPCO immediately prior to such merger, consolidation or other reorganization), (b) the Partnership or TEPPCO sells, leases or exchanges or agrees to sell, lease or exchange all or substantially all of its assets to any other person or entity (other than an entity wholly-owned by the Partnership or TEPPCO), (c) the Partnership or TEPPCO is to be dissolved, or (d) the Partnership or TEPPCO is a party to any other corporate transaction (as defined under Section 424(a) of the Code and applicable Department of Treasury Regulations) that is not described in clauses (a), (b) or (c) of this sentence (each such event is referred to herein as a "Corporate Change"), then (x) except as otherwise provided in an Award Agreement, no later than ten days after the approval by the Partnership or TEPPCO of such Corporate Change, the Board, acting in its sole and absolute discretion without the consent or approval of any Grantee, may accelerate the expiration of the Performance Period and/or make such other adjustments to an Award then outstanding as the Board deems appropriate to reflect such Corporate Change.

ARTICLE V

ADMINISTRATION

5.1 GENERAL. The Plan shall be administered by the Committee. All questions of interpretation and application of the Plan and Awards shall be subject to the determination of the Committee. A majority of the members of the Committee shall constitute a quorum. All determinations of the Committee shall be made by a majority of its members. Any decision or determination reduced to writing and signed by a majority of the members shall be as effective as if it had been made by a majority vote at a meeting properly called and held.

5.2 POWERS OF COMMITTEE. The Committee shall have the exclusive responsibility for the general administration of the Plan according to the terms and provisions of the Plan and will have all the powers necessary to accomplish those purposes, including but not by way of limitation the right, power and authority:

(a) to make rules, regulations and administrative guidelines for the administration of the Plan;

(b) to construe all terms, provisions, conditions and limitations of the Plan;

(c) to correct any defect, supply any omission or reconcile any inconsistency that may appear in the Plan in the manner and to the extent it deems expedient to carry the Plan into effect for the greatest benefit of all parties at interest;

(d) to determine all controversies relating to the administration of the Plan, including but not limited to:

(1) differences of opinion arising between TEPPCO and a Grantee; and

(2) any question it deems advisable to determine in order to promote the uniform administration of the Plan for the benefit of all parties at interest;

(e) to determine the Employees who shall participate in the Plan from time to time;

(f) to determine the number of Long Term Incentive Units to be awarded to each Grantee; and

(g) to determine the terms and conditions, if any, not inconsistent with the terms of the Plan that are to be placed upon the Award or Awards given to a particular Grantee.

5.3 COMMITTEE DISCRETION. The Committee in exercising any power or authority granted under the Plan or in making any determination under the Plan shall perform or refrain

from performing those acts in its sole discretion and judgment. Any decision made by the Committee or any refraining to act or any act taken by the Committee in good faith shall be final and binding on all parties. The Committee's decisions shall never be subject to de novo review, but instead shall only be overturned if found to be arbitrary or capricious by an arbitrator or a court of law.

5.4 DISQUALIFICATION OF COMMITTEE MEMBER. A member of the Committee shall not vote or act on any Plan matter relating solely to himself.

ARTICLE VI

AMENDMENT OR TERMINATION OF PLAN

The Board may amend, terminate or suspend the Plan at any time, in its sole and absolute discretion. However, no amendment or termination of the Plan may, without the consent of a Grantee, reduce the Grantee's right to a payment under the Plan that he is entitled to receive under the terms of the Plan in effect prior to the amendment or termination.

ARTICLE VII

FUNDING

7.1 PAYMENTS UNDER THE PLAN ARE THE OBLIGATION OF TEPPCO. Benefits due under the Plan will be paid by TEPPCO.

7.2 GRANTEES MUST RELY SOLELY ON THE GENERAL CREDIT OF TEPPCO. The Plan is only a general corporate commitment of TEPPCO and each Grantee must rely solely upon the general credit of TEPPCO for the fulfillment of its obligations hereunder. Under all circumstances the rights of the Grantee to any asset held by TEPPCO will be no greater than the rights expressed in the Plan. Nothing contained in the Plan or an Award will constitute a guarantee by TEPPCO that the assets of TEPPCO will be sufficient to pay any benefits under the Plan or would place the Grantee in a secured position ahead of general creditors of TEPPCO; the Grantees are only unsecured creditors of TEPPCO with respect to their Plan benefits and the Plan constitutes a mere promise by TEPPCO to make benefit payments in the future. No specific assets of TEPPCO have been or will be set aside, or will be pledged in any way for the performance of TEPPCO's obligations under the Plan which would remove such assets from being subject to the general creditors of TEPPCO.

7.3 UNFUNDED ARRANGEMENT. It is intended that the Plan shall be unfunded for tax purposes and for purposes of Title of the Employee Retirement Income Security Act of 1974, as amended.

ARTICLE VIII

MISCELLANEOUS

8.1 NO EMPLOYMENT OBLIGATION. The granting of any Award shall not constitute an employment contract, express or implied, nor impose upon TEPPCO or any Affiliate any obligation to employ or continue to employ the Grantee. The right of TEPPCO or any Affiliate to terminate the employment of any person shall not be diminished or affected by reason of the fact that an Award has been granted to him.

8.2 TAX WITHHOLDING. TEPPCO shall be entitled to deduct from the Award or other compensation payable to each Grantee any sums required by federal, state, or local tax law to be withheld with respect to payments under an Award.

8.3 INDEMNIFICATION OF THE COMMITTEE. TEPPCO shall indemnify each present and future member of the Committee against, and each member of the Committee shall be entitled without further act on his part to indemnity from TEPPCO for, all expenses (including attorney's fees, the amount of judgments and the amount of approved settlements made with a view to the curtailment of costs of litigation, other than amounts paid to TEPPCO itself) reasonably incurred by him in connection with or arising out of any action, suit, or proceeding in which he may be involved by reason of his being or having been a member of the Committee, whether or not he continues to be a member of the Committee at the time of incurring the expenses -- including, without limitation, matters as to which he shall be finally adjudged in any action, suit or proceeding to have been found to have been negligent in the performance of his duty as a member of the Committee. However, this indemnity shall not include any expenses incurred by any member of the Committee in respect of matters as to which he shall be finally adjudged in any action, suit or proceeding to have been guilty of gross negligence or willful misconduct in the performance of his duty as a member of the Committee. In addition, no right of indemnification under the Plan shall be available to or enforceable by any member of the Committee unless, within 60 days after institution of any action, suit or proceeding, he shall have offered TEPPCO, in writing, the opportunity to handle and defend same at its own expense. This right of indemnification shall inure to the benefit of the heirs, executors or administrators of each member of the Committee and shall be in addition to all other rights to which a member of the Committee may be entitled as a matter of law, contract, or otherwise.

8.4 GENDER AND NUMBER. If the context requires, words of one gender when used in the Plan shall include the other and words used in the singular or plural shall include the other.

8.5 HEADINGS. Headings of Articles and Sections are included for convenience of reference only and do not constitute part of the Plan and shall not be used in construing the terms of the Plan.

8.6 OTHER COMPENSATION PLANS. The adoption and maintenance of the Plan shall not affect any other stock option, incentive or other compensation or benefit plans in effect for TEPPCO or any Affiliate or preclude TEPPCO from establishing any other forms of incentive or other compensation for employees of TEPPCO or any Affiliate.

8.7 RIGHTS OF COMPANY AND AFFILIATES. The existence of Long Term Incentive Units shall not affect in any way the right or power of TEPPCO or an Affiliate to (a) make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in TEPPCO's or an Affiliate's structure or business, (b) approve and consummate any merger or consolidation of TEPPCO or an Affiliate with or into any entity, (c) issue any bonds, debentures or Company or Affiliate interests of any nature whatsoever to any person, (d) approve and consummate the dissolution or liquidation of TEPPCO or an Affiliate or any sale or transfer of all or any part of TEPPCO's or an Affiliate's assets or business or (e) approve and consummate any other act or proceeding whether of a similar character or otherwise.

8.8 NONALIENATION OF BENEFITS. No benefit provided under the Plan shall be transferable by the Grantee except pursuant to a state domestic relations order. No right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge. Any attempt to anticipate, alienate, sell, assign, pledge, encumber or charge any right or benefit under the Plan shall be void. No right or benefit under the Plan shall, in any manner, be liable for or subject to any debts, contracts, liabilities or torts of the person entitled to the right or benefit. If any Grantee becomes bankrupt or attempts to anticipate, alienate, assign, pledge, sell, encumber or charge any right or benefit under the Plan then the right or benefit shall, in the discretion of the Committee, cease. In that event, TEPPCO and/or one or more Affiliates may hold or apply the right or benefit or any part of the right or benefit for the benefit of the Grantee, his or her spouse, children or other dependents or any of them in the manner and in the proportion that the Committee shall deem proper, in its sole discretion, but is not required to do so. The restrictions in this Section 8.8 shall not apply to state domestic relations orders.

8.9 NO RIGHTS AS AN OWNER. No Grantee shall have any rights as a Unit owner as a result of his Award. No Award will permit any Grantee to exercise any managerial rights or powers with respect to TEPPCO, the Partnership or any Affiliate.

8.10 GOVERNING LAW. The validity, interpretation, construction and enforceability of the Plan shall be governed by the laws of the State of Texas.

IN WITNESS WHEREOF, TEPPCO has caused this Agreement to be executed by its authorized officer on this 8th day of March, 2001, effective as of January 1, 2000.

TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC

By: /s/ BARRY R. PEARL

Title: President and Chief Executive Officer

EXHIBIT 10.46

AMENDED AND RESTATED
TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC
MANAGEMENT INCENTIVE COMPENSATION PLAN

I. PURPOSE

The purpose of this Plan is to aid TEPPCO in retaining and motivating management employees of high caliber and good potential to manage and operate TEPPCO and the Partnership and to aid the Partnership to meet its performance objectives. It is the judgment of the Board that, in order to achieve these objectives, TEPPCO must provide incentive compensation to those individuals who significantly contribute to the successful operation of TEPPCO, and the Partnership.

II. EFFECTIVE DATE

The Plan shall be and is hereby adopted effective as of January 1, 2003, and Awards under the Plan may be made with respect to the 2003 Plan Year and each subsequent Plan Year.

III. DEFINITIONS

Unless the meaning is clearly different when used in context, these terms shall have the following meanings when used either in this Plan document or in the annual Administrative Guidelines:

A. "Administrative Guidelines" shall mean the interpretive guidelines approved annually by the Committee to provide the administration of the Plan including the method by which incentive compensation payments will be determined.

B. "Board" shall mean the Board of Directors of Texas Eastern Products Pipeline Company, LLC.

C. "CEO" shall mean the Chief Executive Officer of TEPPCO.

D. "Chairman" shall mean the Chairman of the Committee.

E. "Compensation Committee" or "Committee" shall mean the compensation committee of the Board.

F. "Eligible Employee" shall mean a person who is a regular, full-time salaried employee of TEPPCO and performs services on a full-time basis for TEPPCO, and/or the Partnership.

G. "Duke Energy" shall mean Duke Energy Corporation, Duke Energy Field Services, L.P. and their Subsidiaries.

H. "Management Incentive Compensation Award" or "Award" shall mean the amount of incentive compensation payable in accordance with Article VIII to a Participant with respect to a Plan Year as determined by considering such criteria as the CEO and the Committee, in their sole discretion, deem appropriate and consistent with the Plan.

I. "Operating Income" shall mean total operating revenues less operating expenses, depreciation and amortization as shown on the financial statements of the Partnership, as the case may be.

J. "Participant" or "Participants" shall mean an individual(s) to whom an opportunity for incentive compensation hereunder has been given under Article VI or VII.

K. "Partnership" shall mean TEPPCO Partners, L.P.

L. "Partnership Objectives" shall include providing the Partnership and its Subsidiaries with the cash necessary to meet capital expenditures, principal repayments, interest payments and distributions, and such other objectives relating to the financial performance of the Partnership as the Committee shall determine.

M. "Plan" or "TEPPCO MICP" shall mean this Texas Eastern Products Pipeline Company, LLC Management Incentive Compensation Plan.

N. "Plan Year" shall mean each 12-month period beginning on January 1 and ending on December 31.

O. "Special Incentive Award" shall mean the amount of special incentive compensation that a Participant may be awarded as determined pursuant to Articles VII and VIII.

P. "Subsidiary" shall mean any legal entity in which Duke Energy or the Partnership, as the case may be, directly or indirectly owns more than 50% of the issued and outstanding voting interests.

Q. "Target Award" shall mean for any Plan Year the amount of incentive compensation expressed as a percentage of the Participant's actual base salary earnings during such Plan Year that shall be payable if the Participant's Personal Objectives and the Partnership Objective are fully achieved.

R. "TEPPCO" shall mean Texas Eastern Products Pipeline Company, LLC and/or any other company that adopts the Plan for the benefit of its employees with the authorization and approval of the Board. Any such adoption shall be subject to any terms and conditions prescribed by the Board.

IV. ADMINISTRATIVE AND INTERPRETATION

A. The Plan shall be administered by the Committee or its designee. The Committee shall have sole and absolute discretion to construe and interpret the Plan and any instrument or agreement related thereto, including without limitation, the power to construe and interpret doubtful or contested terms herein and therein, and, subject to the provisions set forth, herein, to prescribe, amend and rescind rules and regulations and make all other determinations necessary or desirable for the Plan's administration.

B. Notwithstanding any provision of law, or any explicit or implicit provision of this document, any action taken, or finding, interpretation, ruling or decision made by the Committee in the exercise of any of its rights, powers, authority or duties under this Plan shall be final and conclusive as to all parties, including without limitation all Participants and former Participants, regardless of whether the Committee or one or more of its members may have an actual or potential conflict of interest with respect to the subject matter of the action, finding, interpretation, ruling or decision. No final action, finding, interpretation, ruling or decision of the Committee shall be subject to de novo review in any judicial proceeding. No final action, finding, interpretation, ruling or decision of the Committee may be set aside unless it is held to have been arbitrary and capricious by a final judgment of a court having jurisdiction with respect to the issue. Nothing in the Plan shall be deemed to give any officer or employee of TEPPCO, or his or her legal representatives or assigns, any right to participate in the Plan, except to such extent, if any, as the Committee may authorize pursuant to the provisions of the Plan.

C. The Committee shall have sole and absolute discretion to determine an individual's eligibility to participate, whether the performance of a Participant warrants an Award pursuant to the Plan and any instrument or agreement relating thereto, and the amount of any such Award. However, with respect to employees other than the CEO, the CEO shall recommend to the Committee whether each such employee is eligible to participate, whether the performance of such employee warrants an Award and the amount of such Award.

D. This Plan shall be governed by, construed and enforced in accordance with the internal laws of the State of Texas and, where applicable, the laws of the United States.

E. Notwithstanding anything herein to the contrary, terms of participation in the Plan by the officers of TEPPCO will be at the absolute and sole discretion of the Committee and shall be a matter for action by the Committee only.

V. ELIGIBLE EMPLOYEES

A. The CEO shall submit a list to the Committee of those Eligible Employees who he or she believes should be participating in the Plan prior to the beginning of each Plan Year. The Committee shall then determine which Eligible Employees shall be Participants with respect to such Plan Year. Members of the Committee and any member of the Board who is not an employee of TEPPCO are ineligible to receive Awards under this Plan.

B. Employees who subsequently become Eligible Employees during the Plan Year may become Participants, with the approval of the CEO and the Chairman, but will only be eligible for an Award calculated pro rata on the period of actual service during the Plan Year.

VI. TARGET AWARDS

A. With assistance of the CEO (See Article IV), the Committee shall assign each Eligible Employee, who is designated a Participant pursuant to Article V, a Target Award. Such Target Award will determine the incentive compensation that may be paid to the Participant if all Personal Objectives and Partnership Objectives are fully achieved. The Target Award shall be determined in accordance with the Administrative Guidelines.

B. Participants who receive a promotion during a Plan Year to a position that is generally recognized to have a higher Target Award, will be given a Target Award commensurate with their new position, which will be applicable to the salary earned between the effective date of the promotion and the end of the Plan Year.

C. The CEO and the Committee shall designate what portion of the Target Award will be earned if the Participant completes his or her Personal Objectives and what portion of the Target Award will be earned if the Partnership achieves the Partnership Objectives.

D. At the beginning of each Plan year, all Participants eligible for a Target Award must establish Personal Objectives, which will be stated in specific, measurable terms that will be directly related to activities which will improve operating results. Personal Objectives must be approved by the CEO and the Committee. Such Personal Objectives provide the sole basis for evaluating individual achievement at the end of the applicable Plan year and the amount of the Award earned under the Personal Objective component.

E. At the beginning of the Plan year the CEO and the Committee shall establish Partnership Objectives for the Plan Year. Such Partnership Objectives shall state the financial targets which must be achieved for Participants to realize the full measure of that portion of Target Awards determined by Partnership Objectives.

F. Target Awards will be rounded to the nearest $100.

G. The Participant's Personal Objectives may be revised from time to time during the Award determination period at the discretion of the Committee.

VII. SPECIAL INCENTIVE AWARDS

When appropriate, and subject to the approval of the Committee, the CEO may recommend, in his or her sole and absolute discretion, a Special Incentive Award in recognition of exemplary performance on a specific project or problem to any regular, full-time employee of TEPPCO who performs services for TEPPCO and who has not been granted a Target Award under Article VI. The amount of such Special Incentive Award shall be determined pursuant to Article VIII.

VIII. AMOUNT OF INCENTIVE COMPENSATION AWARDS

A. At the close of each Plan Year, the CEO shall recommend the amount of each Award to be paid to each Participant, other than the CEO (if participating), and shall submit the recommendation to the Committee. The recommendation with respect to an Award shall be based on the following guidelines:

1. A Participant shall be eligible for an Award based upon accomplishment of Personal Objectives and Partnership Objectives as outlined in the Administrative Guidelines. Participants who terminate their employment by reason of death, disability (as determined by the Committee in its sole discretion) or retirement under a retirement plan in which TEPPCO participates, may be

eligible for an Award based on a pro rata portion of their pro rata portion of their Target Award. If a Participant terminates for any other reason, he or she will not be entitled to any portion of a Target Award.

2. If no Award is payable in accordance with the provisions of Item 1 directly above, a Participant may nevertheless be granted an Award based on his or her individual performance during the Plan Year. Such recommendations with respect to Special Incentive Awards shall be based upon such guidelines as the CEO shall deem appropriate in his or her sole discretion.

B. After the CEO makes his or her recommendation, the Committee shall meet for the purpose of determining the amounts and approving the payment of Awards. The Committee shall base its determination on the amount of any Award for the CEO (providing the CEO is a Participant) upon the guidelines set forth in Paragraph A above and such other factors as the Committee, in its sole discretion, shall determine.

C. In no event shall an Award exceed 100% of the Participant's actual base annual salary during the Plan Year, nor shall a Special Incentive Award exceed 20% of the Participant's actual base annual salary during the Plan Year.

D. Awards are not to be considered compensation of an employee for purposes of calculating pensions or other benefits unless the terms of a pension or other benefit plan, program or agreement specifically provides that the Award shall be considered in the calculation of such benefits.

IX. FORM AND SETTLEMENT OF INCENTIVE COMPENSATION AWARDS

A. Awards shall be paid in cash by TEPPCO in a single lump sum payment. The Committee shall have complete and absolute authority to determine the settlement of each individual Award. Awards shall be paid as soon as practicable following approval by the Committee or its designee, but no later than February 15 following the close of such Plan Year; provided that no Award based on a Target Award shall be paid to any Participant who is not an Eligible Employee as of the close of such Plan Year, and no Special Incentive Award shall be paid to any Participant who is not employed by TEPPCO as of the close of such Plan Year. For purposes of the preceding sentence, a Participant whose employment is terminated on account of death, disability (as determined by the Committee in its sole discretion) or retirement under a retirement plan in which TEPPCO participates will be deemed to be employed as of the close of such Plan Year.

B. If a Participant dies before the payment of an Award, without having forfeited rights to the payment, such unpaid Award shall be paid to the Participant's surviving spouse, or if no surviving spouse exists, to his or her estate or legal representative.

C. Should a Participant become incompetent or payment otherwise becomes due to a person who is a minor or incompetent, the Committee is authorized to pay the funds due to the parent of the minor or to the guardian of the minor or incompetent or directly to the minor or to apply those funds for the benefit of the minor or incompetent in any manner the Committee determines in its sole discretion.

D. TEPPCO shall calculate the deductions from the Award paid under the Plan for any taxes required to be withheld by federal, state or local government and shall cause them to be withheld.

X. LIMITATIONS

A. No Participant or any other person shall have any interest in TEPPCO, Duke Energy, the Partnership or any other company affiliated with TEPPCO and Duke Energy, any fund or in any specific asset or assets of TEPPCO, Duke Energy, Partnership or their affiliates by reason of an Award that has been made, but has not been paid or distributed. No right or benefit provided in this Plan shall be transferable by the Participant except, upon his death, as provided in this Plan. No right or benefit under this Plan shall be subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of the Participant or the Participant's beneficiary. Any attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge the same shall be void. No right or benefit under this Plan shall in any manner be liable for or subject to any debts, contracts, liabilities or torts of the person entitled to such benefits. If any Participant or any beneficiary becomes bankrupt or attempts to anticipate, alienate, sell assign, pledge, encumber or charge any right or benefit under this Plan, that right or benefit shall, in the discretion of the Committee, cease. In that event, the Committee may have TEPPCO hold or apply the right or benefit or any part of it to the benefit of the Participant, his or her spouse, children or other dependents or any of them in any manner and in any proportion the Committee believes to be proper in its sole and absolute discretion, but is not required to do so.

B. Nothing in this Plan shall be construed:

1. To give any employee of TEPPCO any right to be designated a Participant in the Plan;

2. To give a Participant any right to receive an Award except in accordance with the terms of this Plan;

3. To limit in any way the right of TEPPCO to terminate a Participant's employment with TEPPCO at any time;

4. To evidence any agreement or understanding, expressed or implied, that TEPPCO will employ a Participant in any particular position or for any particular remuneration; or

5. To give a Participant or any other person claiming through him any interest or right under this Plan other than that of an unsecured general creditor or TEPPCO.

C. Participants shall forfeit the right of payment of an Award in the following circumstances (unless the Committee, in its discretion, determines otherwise):

1. If a Participant terminates his employment with TEPPCO or if a Participant's employment is terminated by or TEPPCO (with or without cause) prior to the payment of an Award for any reason other than death, disability (as determined by the Committee in its sole discretion) or retirement under a retirement plan in which TEPPCO participates;

2. If the Participant engages in willful, deliberate or gross misconduct; or

3. If the Participant engages in competitive activities, or activities to the detriment of TEPPCO, Duke Energy or Partnership following the Participant's termination of employment.

XI. NATURE OF PLAN

It is also specifically recognized by both TEPPCO and the Participants that this Plan is only a general corporate commitment and that each Participant must rely upon the general credit of TEPPCO for the fulfillment of its obligations hereunder. Under all circumstances the rights of Participants to any asset held by TEPPCO will be no greater than the rights expressed in this Plan. Nothing contained in this Plan shall constitute a guarantee by TEPPCO that the assets of TEPPCO will be sufficient to pay any benefits under this Plan or would place the Participant in a secured position ahead of general creditors of TEPPCO; the Participants are only unsecured creditors of TEPPCO with

respect to their Plan benefits and the Plan constitutes a mere promise by TEPPCO to make benefit payments in the future. Although TEPPCO may establish a rabbi trust to accumulate assets to fulfill its obligations, the Plan and the trust, if so established, will not create any lien, claim, encumbrance, right, title or other interest of any kind whatsoever in any Participant in any asset held by TEPPCO, contributed to the trust or otherwise designated to be used for payment of any of its obligations created in this agreement. No specific assets of TEPPCO have been or shall be set aside, or shall in any way be transferred to the trust or shall be pledged in any way for the performance of TEPPCO's obligations under this Plan which would remove such assets from being subject to the general creditors of TEPPCO.

XII. AMENDMENT, SUSPENSION OR TERMINATION OF THE PLAN

The Board may at any time amend, suspend or terminate the Plan, in whole or in part, except that no amendment, suspension or termination shall reduce any benefits payable to a Participant or his or her spouse, estate or legal representative or shall reduce any benefit awarded to a Participant prior to the date of such amendment, suspension or termination, except as provided in Section X of this Plan.

XIII. SUCCESSORS AND ASSIGNS

The provisions of the Plan shall be binding upon TEPPCO and its successors and upon the Participants and their legal representatives.

IX. UNFUNDED ARRANGEMENT

It is intended that this Plan shall be unfunded for tax purposes and for purposes of Title 1 of the Employee Retirement Income Security Act of 1974, as amended.

X. MISCELLANEOUS

Wherever applicable, the masculine pronoun as used herein shall be deemed to mean the feminine, the feminine pronoun the masculine, the singular the plural and the plural the singular.

IN WITNESS WHEREOF, the undersigned have executed this Plan this 6th day of March, 2003.

TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC

By /s/ BARRY R. PEARL

President & Chief Executive Officer

ATTEST:

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EXHIBIT 10.47

TEPPCO RETIREMENT CASH BALANCE PLAN

(AS AMENDED AND RESTATED EFFECTIVE JANUARY 1, 2002)

TEPPCO RETIREMENT
CASH BALANCE PLAN

WHEREAS, TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC (the "COMPANY"), desiring to aid its employees in making provision for their retirement, previously adopted the TEPPCO RETIREMENT CASH BALANCE PLAN (the "Plan") for the benefit of its employees; and

WHEREAS, the Company desires to amend the Plan to comply with the requirements of the Economic Growth and Tax Relief Reconciliation Act of 2001;

NOW, THEREFORE, the Plan is hereby amended and restated effective as of January 1, 2002, as follows:

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ARTICLE I

DEFINITIONS AND CONSTRUCTION

1.1 DEFINITIONS. Where the following words and phrases appear in the Plan, they shall have the respective meanings set forth below, unless their context clearly indicates to the contrary.

(a) "ACT" means the Employee Retirement Income Security Act of 1974, as amended.

(b) "ACTIVE PARTICIPANT" means a Participant who, for a particular month, is (A) an Eligible Employee who (i) performs an Hour of Service for an Employer during such month or (ii) is on an Authorized Leave of Absence from an Employer during such month, or (B) is Disabled during such month and was an Eligible Employee immediately prior to his becoming Disabled; provided, however, that such Disabled Participant has not elected to commence receipt of his benefit payable under the Plan.

(c) "ACTUARIAL EQUIVALENT" means equality in value of the aggregate amounts expected to be received under different times and forms of payment based upon the following assumptions:

(A) For determining Actuarial Equivalence for all purposes other than as described in (B) below, the assumptions shall be a 7% per annum interest rate assumption and mortality rate assumptions determined under the 1983 Group Annuity Mortality Table weighted 50% male and 50% female;

(B) For determining Actuarial Equivalence in determining (i) the monthly payment amount derived by converting a Cash Balance Accrual into a single life annuity, (ii) a present value of a benefit, (iii) the amount of a lump sum payment or (iv) the amount of any other payment of a benefit made in a form other than a non-decreasing annuity (other than an annuity that decreases merely because of the cessation or reduction of Social Security supplements or qualified disability payments, as defined in section 411(a)(9) of the Code) payable for a period not less than the life of the Participant or former Participant or, in the case of a "qualified pre-retirement survivor annuity" (as that term is defined in section 417(c) of the Code), the life of the Eligible Surviving Spouse, the assumptions shall be the Applicable Interest Rate and the Applicable Mortality Table.

(d) "AFFILIATED COMPANY" means the Company and any corporation which is a member of a controlled group of corporations (as defined in section 414(b) of the Code) which includes the Company; any trade or business (whether or not incorporated) which is under common control (as defined in section 414(c) of the Code) with the Company; any organization which is a member of an affiliated service group (as defined in section 414(m) of the Code) which includes the Company; and any other entity required to be aggregated with the Company pursuant to regulations under section 414(o) of the Code.

(e) "ANNUITY STARTING DATE" means with respect to each Participant, former Participant or Beneficiary, the first day of the first period for which an amount is payable to the Participant, former Participant or Beneficiary under the terms of the Plan.

(f) "APPLICABLE INTEREST RATE" means the annual rate of interest on 30-year Treasury securities for the look-back month preceding the first day of the stability period. For purposes of this Paragraph, the "look-back month" shall be the second month preceding the first day of the stability period and the "stability period" shall be the Plan Year that contains the Annuity Starting Date with respect to the benefit.

(g) "APPLICABLE MORTALITY TABLE" means the mortality table based on the prevailing commissioners' standard table (described in section 807(d)(5)(A) of the Code) used to determine reserves for group annuity contracts issued on the date as of which equivalent value is determined (without regard to any other subparagraph of section 807(d)(5)) that is prescribed by the Commissioner in revenue rulings, notices or other guidance published in the Internal Revenue Bulletin. Notwithstanding any other Plan provisions to the contrary, effective for distributions with Annuity Starting Dates on or after January 1, 2003, the "Applicable Mortality Table" used for purposes of (A) adjusting any benefit or limitation under section 415(b)(2)(B), (C) or (D) of the Code (as set forth in Section 10.1), (B) satisfying the requirements of section 417(e) of the Code and (C) computing the present value of the Participant's or former Participant's Accrued Benefit shall be the table prescribed in Revenue Ruling 2001-62.

(h) "ATTAINED AGE" means the age of a Participant on any given date, determined in whole years plus, for partial years, number of days.

(i) "AUTHORIZED LEAVE OF ABSENCE" means a leave of absence from an Employer or an Affiliated Company authorized by the Employer or such Affiliated Company in accordance with uniform rules applicable on a non-discriminatory basis to all Employees and that includes paid or unpaid family and medical leave qualified under the Family and Medical Leave Act, as amended, and any state law equivalent, paid or unpaid maternity or paternity leave, and service in the military, but only if such Employee has reemployment rights protected by USERRA. Such leave shall be an Authorized Leave of Absence provided that the Employee resumes employment immediately upon the expiration of such period in accordance with the terms of such leave, or in the case of military service, within the period of time after discharge required by USERRA in order to maintain reemployment rights.

(j) "BENEFICIARY" OR "BENEFICIARIES" means the person or persons, or the trust or trusts created for the benefit of a natural person or persons or the Participant's or former Participant's estate, designated by the Participant or former Participant to receive the benefits payable under the Plan upon his death.

(k) "BOARD" means the Board of Directors of the Company.

(l) "CASH BALANCE ACCRUAL" means for each Participant and as of any determination date, the sum of all Cash Balance Contributions and Cash Balance Interest Credits credited for such Participant under the Plan.

(m) "CASH BALANCE CONTRIBUTIONS" means an amount credited to an Active Participant's Cash Balance Accrual pursuant to Section 4.2(a).

(n) "CASH BALANCE INTEREST CREDITS" means an amount credited to a Participant's Cash Balance Accrual pursuant to Section 4.2(b).

(o) "CODE" means the Internal Revenue Code of 1986, as amended.

(p) "COMMITTEE" means the administrative committee appointed by the Company to administer the Plan.

(q) "COMPANY" means Texas Eastern Products Pipeline Company, LLC.

(r) "COMPENSATION" means, effective for Plan Years commencing after December 31, 2001, amounts paid by an Employer to a Participant while he is a Participant and an Eligible Employee during the Plan Year which are wages as defined in section 3401(a) of the Code for purposes of federal income tax withholding at the source (but determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed) modified by excluding the following items (even if includable in gross income): reimbursements or other expense allowances (such as the payment of moving expenses or automobile mileage reimbursements), cash and noncash fringe benefits (such as the use of an automobile owned by the Employer and club memberships), deferred compensation (such as pay for accrued vacation upon Severance From Service and amounts deferred under and distributions pursuant to the Duke Energy Field Services Executive Deferred Compensation Plan, the Texas Eastern Products Pipeline Company, LLC 2000 Long Term Incentive Plan and the TEPPCO Supplemental Benefit Plan), and welfare benefits (such as severance pay); and modified further by adding elective contributions under a cafeteria plan maintained by the Employer which are excludable from the Employee's gross income pursuant to section 125 of the Code, elective contributions under a qualified transportation fringe benefit plan maintained by the Employer which are excludable from the Employee's gross income pursuant to section 132(f)(4) of the Code, and elective contributions to a qualified cash or deferred arrangement maintained by the Employer which are excludable from the Employee's gross income pursuant to section 401(k) of the Code. Considered Compensation in excess of $200,000.00 (as adjusted by the Secretary of Treasury) shall be disregarded. If the Plan Year is ever less than 12 months, the $200,000.00 limitation (as adjusted by the Secretary of Treasury) will be prorated by multiplying the limitation by a fraction, the numerator of which is the number of months in the Plan Year, and the denominator of which is 12.

Notwithstanding the foregoing, Compensation for a particular month for a Participant who is Disabled shall be the greater of (A) the Participant's Compensation paid over the 12 consecutive months preceding the date the Participant last performed Service for an

Employer prior to becoming Disabled, divided by 12 or (B) Compensation actually earned by the Participant for such month.

(s) "CREDITABLE SERVICE" means the measure of service described in Section 4.1.

(t) "DIRECT ROLLOVER" means a payment by the Plan to an Eligible Retirement Plan designated by a Distributee.

(u) "DISABLED" means a Participant shall be considered Disabled if such Participant has applied for and is receiving (or would be receiving but for applicable offsets) long-term disability benefits from a plan maintained by an Employer. For purposes of the Plan, a Participant shall no longer be considered Disabled on his Normal Retirement Date or if he has commenced receiving his benefit payable under the terms of the Plan.

(v) "DISTRIBUTEE" means each (A) Participant or former Participant entitled to an Eligible Rollover Distribution, (B) Participant's or former Participant's surviving spouse with respect to the interest of such surviving spouse in an Eligible Rollover Distribution, and (C) former spouse of a Participant or former Participant who is an alternate payee under a qualified domestic relations order, as defined in section 414(p) of the Code, with regard to the interest of such former spouse in an Eligible Rollover Distribution.

(w) "DISTRIBUTION CALENDAR YEAR" means a calendar year for which a minimum distribution is required to be made to a Participant or former Participant under section 401(a)(9) of the Code and Department of Treasury Regulations thereunder. If a Participant's or former Participant's Required Beginning Date is April 1 of the calendar year following the calendar year in which he attains age 70 1/2, his first Distribution Calendar Year is the calendar year in which he attains age 70 1/2. If a Participant's or former Participant's Required Beginning Date is April 1 of the calendar year following the calendar year in which he incurs a Separation From Service, his first Distribution Calendar Year is the calendar year in which he incurs a Separation From Service.

(x) "DUKE" means Duke Energy Corporation, a North Carolina corporation.

(y) "DUKE AFFILIATE" means any corporation which is a member of a controlled group of corporations (as defined in section 414(b) of the Code) which includes Duke; any trade or business (whether or not incorporated) which is under common control (as defined in section 414(c) of the Code) with Duke; any organization which is a member of an affiliated service group (as defined in section 414(m) of the Code) which includes Duke; and any other entity required to be aggregated with Duke pursuant to regulations under section 414(o) of the Code.

(z) "DUKE PLAN" means the Duke Energy Retirement Cash Balance Plan, as amended.

(aa) "EARLY RETIREMENT DATE" means the date described in Section 5.2.

(bb) "EFFECTIVE DATE" means April 1, 2000.

(cc) "ELIGIBLE EMPLOYEE" means each Employee of an Employer who has attained age 18 other than:

(A) a Leased Employee;

(B) a non-resident alien (within the meaning of section 7701(b) of the Code) who receives no earned income (within the meaning of section 991(d)(2) of the Code) from an Affiliated Company that constitutes income from sources within the United States (within the meaning of section 861(a)(3) of the Code);

(C) an individual whose terms and conditions of employment are subject to collective bargaining, unless there is in effect a collective bargaining agreement that expressly provides for participation in the Plan;

(D) an individual who is classified by an Employer as an independent contractor or a Leased Employee (regardless of whether such individual is at any time reclassified as a common law employee of the Employer by the Internal Revenue Service or a court of competent jurisdiction and regardless of whether the Employer acquiesces to the reclassification);

(E) an individual who has waived participation in the Plan through any means including an individual whose employment is governed by a written agreement with an Employer (including an offer letter setting forth the terms and conditions of employment) that provides that the individual is not eligible to participate in the Plan. A general statement in the agreement, offer letter or other communication stating that the individual is not eligible for benefits shall be construed to mean that the individual is not eligible to participate in the Plan; and

(F) an individual who is deemed to be an Employee pursuant to regulations under section 414(o) of the Code.

(dd) "ELIGIBLE RETIREMENT PLAN" means (a) an individual retirement account described in section 408(a) of the Code, (b) an individual retirement annuity described in section 408(b) of the Code (other than an endowment contract), (c) an annuity plan described in section 403(a) of the Code, (d) a qualified plan described in section 401(a) of the Code that is a defined contribution plan that accepts the Distributee's Eligible Rollover Distribution, (e) an eligible deferred compensation plan described in section 457(b) of the Code that is maintained by an eligible employer described in section 457(e)(1)(A) of the Code but only if the plan agrees to separately account for amounts rolled into such plan, or (f) an annuity contract described in section 403(b) of the Code.

(ee) "ELIGIBLE ROLLOVER DISTRIBUTION" means any distribution of all or any portion of the balance to the credit of the Distributee, except that an Eligible Rollover Distribution does not include: (a) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the joint lives (or joint life expectancies) of the

Distributee and the Distributee's Beneficiary, or for a specified period of ten years or more; (b) any distribution to the extent the distribution is required under section 401(a)(9) of the Code; and (c) the portion of any distribution that is not includable in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities) unless, the Eligible Retirement Plan to which the distribution is transferred (1) agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is not includable in gross income or (2) is an individual retirement account described in section 408(a) of the Code or an individual retirement annuity described in section 408(b) of the Code (other than an endowment contract).

(ff) "ELIGIBLE SURVIVING SPOUSE" means with respect to a Participant who dies prior to his Annuity Starting Date, a surviving spouse to whom a deceased Participant was married throughout the 12-month period preceding his death. With respect to a Participant who dies on or after his Annuity Starting Date, the spouse to whom a deceased Participant was married on his Annuity Starting Date.

(gg) "EMPLOYEE" means each (A) individual employed by, or on an Authorized Leave of Absence from, an Employer or an Affiliated Company and (B) Leased Employee.

(hh) "EMPLOYER" means the Company and each Affiliated Company that has adopted the Plan pursuant to the provisions of Article XV.

(ii) "EMPLOYMENT COMMENCEMENT DATE" means the date on which an Employee first performs an Hour of Service.

(jj) "FINAL SECTION 401(A)(9) REGULATIONS" means the final Department of Treasury Regulations issued under section 401(a)(9) of the Code which were published in the Federal Register on April 17, 2002.

(kk) "FIVE PERCENT OWNER" means an Employee who is a five percent owner as defined in section 416(i) of the Code.

(ll) "HIGHLY COMPENSATED EMPLOYEE" means an Employee of an Affiliated Company who, during the Plan Year or the preceding Plan Year, (a) was at any time a Five Percent Owner at any time during the Plan Year or the preceding Plan Year or (b) had Compensation from the Affiliated Companies in excess of $80,000.00 (as adjusted from time to time by the Secretary of the Treasury) for the preceding Plan Year.

(mm) "HOUR OF SERVICE" means an hour, on or after the Effective Date, for which an Employee is directly or indirectly paid, or entitled to payment, for performance of duties for an Employer or an Affiliated Company.

(nn) "INTEREST CREDITING RATE" means with respect to each month in a calendar quarter, the Interest Crediting Rate equals (1 + i)l/12 - 1, where i = the average yield on 30-year United States Treasury bonds as reflected in the United States Federal Reserve Statistical Release H-15 for the end of the third full business week of the month

immediately preceding the start of such calendar quarter; provided, however, that in no event shall it be greater than 9% or less than 4%.

(oo) "LEASED EMPLOYEE" means each person who is not an employee of the Employer or an Affiliated Company but who performs services for the Employer or an Affiliated Company pursuant to an agreement (oral or written) between the Employer or an Affiliated Company and any leasing organization, provided that such person has performed such services for the Employer or an Affiliated Company or for related persons (within the meaning of section 144(a)(3) of the Code) on a substantially full-time basis for a period of at least one year and such services are performed under primary direction or control by the Employer or an Affiliated Company.

(pp) "NORMAL RETIREMENT AGE" means age 65.

(qq) "NORMAL RETIREMENT DATE" means the first day of the month coincident with or next following the date upon which a Participant attains 65 years of age.

(rr) "PARTICIPANT" means each Eligible Employee who has met the eligibility requirements for participation in the Plan as set forth in Article III herein. In addition, a Participant's participation in the Plan shall continue until the Participant ceases to have any Cash Balance Accrual under the Plan.

(ss) "PERIOD OF SERVICE" means each period of an individual's Service commencing on his Employment Commencement Date or a Reemployment Commencement Date, if applicable, and ending on the date of a Severance from Service; provided, however, that no Period of Service may commence prior to an individual's attainment of age 1 8 or, except as provided in Section 7.4, prior to the Effective Date. A Period of Service shall also include any period required to be credited as a Period of Service by federal law, other than the Act or the Code, but only under the conditions and to the extent required by such federal law. In addition, a Period of Service shall also include any period during which a Participant is Disabled, provided that such Participant was an Eligible Employee immediately prior to his becoming Disabled and has not elected to commence receipt of his benefit payable under the Plan.

(tt) "PERIOD OF SEVERANCE" means each period of time commencing on the date of an Employee's Severance from Service and ending on a Reemployment Commencement Date.

(uu) "PLAN" means the TEPPCO Retirement Cash Balance Plan, as amended from time to time.

(vv) "PLAN YEAR" means the 12-consecutive month period commencing January 1 of each year; provided, however, that the first Plan Year shall commence on the Effective Date and end on December 31, 2000.

(ww) "POINTS" means with respect to a Participant, for any month during a Plan Year, the sum of such Participant's Attained Age and Creditable Service, determined for that Plan Year as of:

(A) For a Participant who is a Participant in the Plan on the first day of such Plan Year, January 1 of such Plan Year;

(B) For a Participant who first performs an Hour of Service after the first day of such Plan Year, the date upon which the Participant becomes a Participant in the Plan;

(C) For a Participant who is reemployed after incurring one or more one-year Periods of Severance, the first day of the Plan Year containing the Participant's Reemployment Commencement Date; and

(D) For a Participant who becomes an Eligible Employee and a Participant due to a change in employment status during a Plan Year, the date upon which the Participant becomes a Participant in the Plan.

(xx) "POSTPONED RETIREMENT DATE" means the date described in Section 5.3.

(yy) "QUALIFIED DOMESTIC RELATIONS ORDER" means a qualified domestic relations order as defined in section 414(p) of the Code.

(zz) "REEMPLOYMENT COMMENCEMENT DATE" means the first date upon which an Employee performs an Hour of Service following the date of such Employee's Severance from Service.

(aaa) "REQUIRED BEGINNING DATE" means:

(A) in the case of an individual who is not a Five Percent Owner in the Plan Year that ends in the calendar year in which he attains age 70 1/2, the Required Beginning Date is April 1 of the calendar year following the later of (1) the calendar year in which the individual attains age 70 1/2, or (2) the calendar year in which the individual incurs a Separation From Service; and

(B) in the case of an individual who is a Five Percent Owner in the Plan Year that ends in the calendar year in which he attains age 70 1/2, the Required Beginning Date is April 1 of the calendar year following the calendar year in which he attains age 70 1/2.

(bbb) "RETIREMENT" means a Participant's Severance from Service in accordance with Article V. In addition, a Participant who is Disabled shall be deemed to enter Retirement when he begins receiving his benefit payable under the Plan.

(ccc) "SECTION 401(A)(9) BENEFICIARY" means an individual who is a Participant's or former Participant's Beneficiary on the date of the Participant's or former Participant's death and (unless the Beneficiary dies after the date of the Participant's or former Participant's death and before September 30 of the following calendar year without disclaiming benefits under the Plan) who remains a Beneficiary as of September 30 of the calendar year following the calendar year of the Participant's or former Participant's death. If the Participant's or former Participant's Beneficiary is a trust, an individual beneficiary of the trust may be a Section 401(a)(9) Beneficiary of the

Participant or former Participant if the requirements of Regulation Section 1.401(a)(9)-4 are satisfied.

(ddd) "SEPARATION FROM SERVICE" means an individual's termination of employment with an Affiliated Company without commencing or continuing employment with (a) any other Affiliated Company.

(eee) "SERVICE" means the active service of an Employee with an Employer or an Affiliated Company.

(fff) "SEVERANCE FROM SERVICE" means the earliest to occur of the following events after an Employee's Employment Commencement Date or a Reemployment Commencement Date, if applicable:

(A) the Employee's voluntary resignation from Service with the Employer and each Affiliated Company;

(B) the Employee's discharge or termination from Service with the Employer and each Affiliated Company;

(C) the Employee's Retirement;

(D) the Employee's death;

(E) the first anniversary of the first date of a period during which an Employee is absent from Service with or without pay for any reason not described above (e.g., vacation, holiday, sickness (including periods of time during which the Employee is receiving worker's compensation benefits), leave of absence, or layoff), except as described in (F) below and except that an Employee on an Authorized Leave of Absence shall not have a Severance from Service unless the Employee fails to return to work according to the terms of the Authorized Leave of Absence;

(F) the second anniversary of the first date of a period during which an Employee is absent from Service with or without pay by reason of (i) the pregnancy of the Employee, (ii) the birth of a child of the Employee, (iii) the placement of a child with the Employee in connection with the adoption of the child by the Employee, or (iv) caring for a child referred to in clauses (i) through (iii) immediately following such birth or placement.

(ggg) "SOCIAL SECURITY WAGE BASE" means the contributions and benefit base under section 230 of the Social Security Act of 1935, as amended.

(hhh) "SPOUSE" means the person to whom the Participant or former Participant is married under applicable local law. In addition, to the extent provided in a Qualified Domestic Relations Order, a surviving former spouse of a Participant or former Participant will be treated as the Spouse of the Participant or former Participant, and to the same extent any current spouse of the Participant or former Participant will not be treated as a Spouse of the Participant or former Participant. For purposes of Section 9.3,

a former Spouse to whom all or a portion of a Participant's or former Participant's Plan benefit is payable under a Qualified Domestic Order shall, to that extent, be treated as a Spouse or surviving Spouse regardless of whether the Qualified Domestic Relations Order specifically provides that the former Spouse is to be treated as the Spouse for purposes of Sections 401(a)(11) and 417 of the Code.

(iii) "TRUST" means the trust established under the Trust Agreement to hold and invest contributions made under the Plan and income thereon, and from which the Plan benefits are distributed.

(jjj) "TRUST AGREEMENT" means the agreement entered into between the Employer and the Trustee establishing the Trust, as such agreement may be amended from time to time.

(kkk) "TRUST FUND" means the funds and properties held pursuant to the provisions of the Trust Agreement for the use and benefit of the Participants, together with all income, profits and increments thereto.

(lll) "TRUSTEE" means the trustee or trustees qualified and acting under the Trust Agreement at any time.

(mmm) "USERRA" means the Uniform Services Employment and Reemployment Rights Act, as amended.

(nnn) "VESTED INTEREST" means the percentage of a Participant's Plan benefit which, pursuant to the Plan, is nonforfeitable.

(ooo) "VESTING SERVICE" means the measure of service used in determining a Participant's nonforfeitable right to a benefit as determined in accordance with Section 7.4.

1.2 NUMBER AND GENDER. Wherever appropriate herein, words used in the singular shall be considered to include the plural and words used in the plural shall be considered to include the singular. The masculine gender, where appearing in the Plan, shall be deemed to include the feminine gender.

1.3 HEADINGS. The headings of Articles and Sections herein are included solely for convenience, and if there is any conflict between such headings and the text of the Plan, the text shall control.

1.4 CONSTRUCTION. It is intended that the Plan be qualified within the meaning of section 401(a) of the Code and that the Trust be tax exempt under section 501(a) of the Code, and all provisions herein shall be construed in accordance with such intent.

ARTICLE II

PURPOSE OF PLAN

The purpose of the Plan is to provide retirement and incidental benefits for those Participants who complete the required period of employment with the Employer. The benefits provided by the Plan will be paid from the Trust Fund and will be in addition to any benefits the Participants may be entitled to receive pursuant to any other Employer programs or pursuant to the Social Security Act of 1935, as amended. The Plan and the Trust are established and shall be maintained for the exclusive benefit of the Participants and their beneficiaries. No part of the Trust Fund can ever revert to the Employer, except as hereinafter provided in Sections 11.5 and 17.2(c), or be used for or diverted to purposes other than the exclusive benefit of the Participants and their beneficiaries.

ARTICLE III

PARTICIPATION

3.1 ELIGIBILITY. Each Employee shall become a Participant on the later of April 1, 2000 or the date such Employee becomes an Eligible Employee. In addition, a former Participant in the Plan shall resume his participation in the Plan upon his reemployment as an Eligible Employee.

3.2 CONTINUATION OF PARTICIPATION. A Participant's participation in the Plan shall continue until the Participant ceases to have any Cash Balance Accrual under the Plan.

ARTICLE IV

CASH BALANCE CREDITS

4.1 CREDITABLE SERVICE. A Participant's Creditable Service shall be equal to the Vesting Service credited to such Participant under the Plan reduced by any Vesting Service credited to such Participant attributable to Periods of Service prior to the date on which such Participant commenced participation in the Plan (other than Service credited to such Participant pursuant to Section 7.4(a) and (f)); provided, however, that in no event shall a Participant's Creditable Service as of the Effective Date be greater than the amount of Creditable Service credited to him under the terms of the Duke Plan as of the Effective Date.

4.2 CASH BALANCE CREDITS.

(a) As of the last day of each calendar month, each Participant who was an Active Participant on any day of such month shall have his Cash Balance Accrual credited with a Cash Balance Contribution for such month in an amount determined in accordance with the following schedule:

NUMBER OF POINTS	AMOUNT OF CASH BALANCE CONTRIBUTION
less than 35	4% of such Active Participant's Compensation paid during such month, plus 4% of such Participant's Compensation in excess of the Social Security Wage Base.
35 or more, but less than 50	5% of such Active Participant's Compensation paid during such month, plus 4% of such Participant's Compensation in excess of the Social Security Wage Base.
50 or more, but less than 65	6% of such Active Participant's Compensation paid during such month, plus 4% of such Participant's Compensation in excess of the Social Security Wage Base.
65 or more	7% of such Active Participant's Compensation paid during such month, plus 4% of such Participant's Compensation in excess of the Social Security Wage Base.

(b) As of the last day of each calendar month, and prior to the calendar month including his Annuity Starting Date, a Participant (whether or not he is then an Eligible Employee or then employed) or beneficiary who has a Cash Balance Accrual as of the end of such calendar month shall be credited with a Cash Balance Interest Credit for such month equal to:

(1) his Cash Balance Accrual as of the last day of the preceding calendar month; multiplied by

(2) the Interest Crediting Rate.

No Cash Balance Interest Credits shall be credited for a Participant pursuant to this Paragraph (b) for any period from and after his Annuity Starting Date.

(c) Provisions of this Section 4.2 to the contrary notwithstanding, in no event shall credits made pursuant to this Section 4.2 to a Participant's Cash Balance Accrual contravene the requirements of section 411(b) of the Code.

4.3 BREAK IN SERVICE. Contrary Plan provisions notwithstanding, if a Participant who does not have a Vested Interest incurs a Severance from Service, his Creditable Service and Cash Balance Accrual which were credited for his period of employment prior to such Severance from Service shall be disregarded if his years of Vesting Service prior to such Severance from Service are disregarded pursuant to Section 7.5(b).

4.4 CASH-OUT.

(a) If a Participant incurs a Severance from Service and has a 0% Vested Interest, such Participant's Creditable Service and Cash Balance Accrual prior to such Severance from Service shall be disregarded and such Participant's nonvested Plan benefit shall become a forfeiture as of the date of Severance from Service, with such Participant being considered to have received a distribution of zero dollars on the date of his Severance from Service.

(b) Paragraph (a) above notwithstanding, if such terminated Participant is subsequently reemployed by the Employer or an Affiliated Company, the Creditable Service and Cash Balance Accrual that were disregarded and the forfeiture that occurred pursuant to Paragraph (a) above shall be restored as of the Participant's Reemployment Commencement Date unless such Creditable Service and Cash Balance Accrual are also disregarded pursuant to the provisions of Section 4.3.

ARTICLE V

RETIREMENT BENEFITS

5.1 NORMAL RETIREMENT.

(a) Except as otherwise provided in Article VIII, a Participant who incurs a Severance from Service on his Normal Retirement Date shall be entitled to receive, as of such Severance from Service date, a retirement benefit, payable at the time and in the form provided in Article IX, that is the Actuarial Equivalent of a series of monthly payments for his life commencing on the first day of the month coinciding with or next following the date of the Participant's Retirement, each monthly payment being equal to the monthly payment amount derived by converting his Cash Balance Accrual as of his Annuity Starting Date into a single life annuity on an Actuarially Equivalent basis.

(b) With respect to any Participant who is to receive his benefit pursuant to Paragraph (a) above, such Participant's Annuity Starting Date shall be the Participant's Normal Retirement Date or, if elected by the Participant and subject to Article IX, the first day of any calendar month thereafter.

5.2 EARLY RETIREMENT.

(a) Except as otherwise provided in Article VIII, a Participant who incurs a Severance from Service on or after the date such Participant attains both age 55 and five years of Vesting Service shall be entitled to receive, as of such Severance from Service date (which date shall be such Participant's Early Retirement Date), a retirement benefit, payable at the time and in the form provided in Article IX, that is the Actuarial Equivalent of a series of monthly payments for his life commencing on the first day of the month coinciding with or next following such Participant's Early Retirement Date, each monthly payment being equal to the monthly payment amount derived by converting his Cash Balance Accrual as of his Annuity Starting Date into a single life annuity on an Actuarially Equivalent basis.

(b) With respect to a Participant who is to receive his benefit pursuant to Paragraph (a) above, such Participant's Annuity Starting Date shall be the first day of the month coinciding with or next following such Participant's Early Retirement Date or, if elected by the Participant and subject to Article IX, the first day of any calendar month thereafter.

5.3 POSTPONED RETIREMENT.

(a) Except as otherwise provided in Article VIII, a Participant who incurs a Severance from Service after his Normal Retirement Date shall be entitled to receive, as of such Severance from Service date (which date shall be such Participant's Postponed Retirement Date), a retirement benefit, payable at the time and in the form provided in Article IX, that is the Actuarial Equivalent of a series of monthly payments for his life commencing on the first day of the month coinciding with or next following such Participant's Postponed Retirement Date, each monthly payment being equal to the

monthly payment amount derived by converting his Cash Balance Accrual as of his Annuity Starting Date into a single life annuity on an Actuarially Equivalent basis.

(b) With respect to any Participant who is to receive his benefit pursuant to Paragraph (a) above, such Participant's Annuity Starting Date shall be the Participant's Postponed Retirement Date or, if elected by the Participant and subject to Article IX, the first day of any calendar month thereafter.

ARTICLE VI

DISABILITY BENEFITS

In the event of a Participant's becoming Disabled prior to his Severance from Service, such Participant shall be entitled to receive, as of such Participant's Early Retirement Date, a disability retirement benefit, payable at the time and in a form provided in Article IX, which is the Actuarial Equivalent of a series of monthly payments for his life commencing on the first day of the month coinciding with or next following the Participant's Early Retirement Date, each monthly payment being equal to the monthly payment amount derived by converting his Cash Balance Accrual as of his Annuity Starting Date into a single life annuity on an Actuarially Equivalent Basis. With respect to any Participant who is to receive his benefit pursuant to this Article ("Disabled Participant"), such Disabled Participant's Annuity Starting Date shall be the first day of the month coinciding with or next following his Early Retirement Date or, if elected by the Participant and subject to Article IX, the first day of any calendar month thereafter.

ARTICLE VII

SEVERANCE BENEFITS AND DETERMINATION OF VESTED INTEREST

7.1 NO BENEFITS UNLESS HEREIN SET FORTH. Except as set forth in this Article, upon Severance from Service of a Participant for any reason other than Retirement, the Participant's becoming Disabled, or as provided in Article VIII, such Participant shall acquire no right to any benefit from the Plan or the Trust Fund.

7.2 DETERMINATION OF VESTED INTEREST.

(a) A Participant's Vested Interest shall be determined by such Participant's full years of Vesting Service in accordance with the following schedule:

FULL YEARS OF VESTING SERVICE	VESTED INTEREST
Less than 5 years	0%
5 years or more	100%

(b) Paragraph (a) above notwithstanding, a Participant shall have a 100% Vested Interest upon (1) the death of the Participant while an Employee, (2) the attainment of 65 or more years of age while an Employee, or (3) the Participant's becoming Disabled while an Employee.

7.3 SEVERANCE BENEFIT.

(a) Except as otherwise provided in Article VIII, a Participant who (1) has a Vested Interest in his Plan benefit and (2) incurs a Severance from Service for a reason other than because of Retirement, death or such Participant's becoming Disabled, shall be entitled to receive, as of such Participant's Early Retirement Date, a severance benefit, payable at the time and in a form provided in Article IX, which is the Actuarial Equivalent of a series of monthly payments for his life commencing on the first day of the month coinciding with or next following the Participant's Early Retirement Date, each monthly payment being equal to the monthly payment amount derived by multiplying his Vested Interest by the monthly payment amount derived by converting his Cash Balance Accrual as of his Annuity Starting Date into a single life annuity on an Actuarially Equivalent basis.

(b) With respect to a Participant who is to receive his benefit pursuant to Paragraph (a) above, such Participant's Annuity Staffing Date shall be the first day of the month coinciding with or next following his Early Retirement Date or, if elected by the Participant and subject to Article IX, the first day of any calendar month thereafter. Notwithstanding the foregoing, in the event of a Participant who incurs a Severance from Service prior to his Early Retirement Date and whose Actuarially Equivalent present

value of his Vested Interest in his Plan benefit (expressed in the form of a single life annuity commencing at the Participant's Early Retirement Date) is in excess of $5,000 but not in excess of $10,000, such Participant may elect to commence receiving his Plan benefit as of the first day of any calendar month following his Severance from Service.

7.4 VESTING SERVICE.

(a) Subject to Paragraph (d) below, an individual who is an Eligible Employee on the Effective Date shall be credited with Vesting Service in an amount equal to all service credited to him for vesting purposes under the Duke Plan, if any, as of the Effective Date.

(b) On and after the Effective Date, subject to the remaining Paragraphs of this Section, an individual shall be credited with Vesting Service in an amount equal to his aggregate Periods of Service, whether or not such Periods of Service are completed consecutively. Further, separate Periods of Service shall be aggregated on the basis of days, so that an individual earns a year of Vesting Service as of the date such individual completes a 365- day Period of Service.

(c) Paragraph (b) above notwithstanding, if an individual incurs a Severance from Service and subsequently resumes his Service and such individual's Reemployment Commencement Date is within 12 months of the date of his Severance from Service, such Period of Severance shall be treated as a Period of Service for purposes of Paragraph (b) above; provided, however, that in no event shall an individual earn Vesting Service during a Period of Severance which lasts more than 12 months.

(d) In the case of an individual who incurs a Severance from Service at a time when he has a 0% Vested Interest and who then incurs a Period of Severance that equals or exceeds five years, such individual's Period of Service completed before such Period of Severance shall be disregarded in determining his years of Vesting Service.

(e) If an individual who has a 100% Vested Interest incurs a Severance from Service and subsequently resumes Service as an Eligible Employee, all Vesting Service earned prior to such Severance from Service shall be restored as of his Reemployment Commencement Date.

(f) Upon becoming an Eligible Employee, an individual who is a former employee of Duke or a Duke Affiliate shall have his prior period of employment with Duke or such Duke Affiliate recognized as Vesting Service under this Article VII; provided, however, that such individual's employment with Duke and all Duke Affiliates must not have terminated more than five years prior to the date upon which such individual became an Eligible Employee.

7.5 CASH-OUTS AND FORFEITURES.

(a) If a Participant incurs a Severance from Service and has a 0% Vested Interest, such Participant's nonvested Plan benefit shall become a forfeiture as of the date

of Severance from Service, with such Participant being considered to have received a distribution of zero dollars on the date of his Severance from Service.

(b) Paragraph (a) above notwithstanding, the forfeiture that occurred pursuant to such Paragraph shall be restored as of the Reemployment Commencement Date of such terminated Participant unless the Participant's Period of Severance following such Severance from Service equaled or exceeded five years.

ARTICLE VIII

DEATH BENEFITS

8.1 BEFORE ANNUITY STARTING DATE.

(a) If a married Participant dies while he is an Employee or while he is Disabled but prior to his Annuity Starting Date, or if a married Participant with a Vested Interest in his Plan benefit dies after his Severance from Service but prior to his Annuity Starting Date, the Eligible Surviving Spouse of such Participant shall be eligible to receive the Participant's Plan benefit payable, at such Eligible Surviving Spouse's election, as follows:

(1) As a lump sum, subject to Sections 8.3 and 9.2, on the first day of any month following the Participant's death (as elected by the Eligible Surviving Spouse). If the Eligible Surviving Spouse dies prior to the commencement of benefits under this Section, the Plan benefit shall be paid in a lump sum to the Eligible Surviving Spouse's designated beneficiary or, if none, to the Eligible Surviving Spouse's executor or administrator or to such Eligible Surviving Spouse's heirs-at-law if there is no administration of such Eligible Surviving Spouse's estate.

(2) As a survivor annuity, beginning on the first day of any month following the Participant's death (as elected by the Eligible Surviving Spouse). If the Eligible Surviving Spouse dies prior to commencing benefits under this Section, the Plan benefit shall be paid in a lump sum to the Eligible Surviving Spouse's designated beneficiary or, if none, to the Eligible Surviving Spouse's executor or administrator or to such Eligible Surviving Spouse's heirs-at-law if there is no administration of such Eligible Surviving Spouse's estate. The monthly benefit paid to such Eligible Surviving Spouse shall be equal to the monthly payment amount derived by converting the Participant's Cash Balance Accrual as of the date of commencement of payment as described above into a single life annuity for the life of such Eligible Surviving Spouse.

(b) If an unmarried Participant dies while he is an Employee or while he is Disabled but prior to the commencement of payment of his Plan benefit, or if an unmarried Participant with a Vested Interest in his Plan benefit dies after his Severance from Service but prior to the Participant's Annuity Starting Date, such Participant's Plan benefit shall be paid in the form of a lump sum payment to the Participant's beneficiary designated in accordance with Section 9.10(b) as soon as administratively feasible following the Participant's death but in no event later than one year from the date of death. If the Participant's designated beneficiary predeceases the Participant, such Participant's Plan benefit shall be paid in the form of the lump sum to the Participant's executor or administrator or to his heirs-at-law if there is no administration of such Participant's estate.

(c) No benefits shall be paid pursuant to the Plan with respect to a Participant other than a Participant who is also an Employee who dies without a Vested Interest in his Plan benefit.

8.2 DEATH BENEFITS AFTER ANNUITY STARTING DATE. If a Participant dies on or after his Annuity Starting Date, whether or not payment of his benefit has actually begun, the only benefit payable pursuant to this Plan shall be that, if any, provided for his beneficiary pursuant to the form of Article IX benefit he was receiving or about to receive.

8.3 CASH-OUT OF DEATH BENEFIT. If a Participant dies prior to his Annuity Starting Date, his Eligible Surviving Spouse or other beneficiary is entitled to a death benefit pursuant to this Article and the Actuarially Equivalent present value of such death benefit is not in excess of $5,000, such present value shall be paid to such Eligible Surviving Spouse or other beneficiary in a lump sum payment in lieu of any other benefit herein provided and without regard to the spousal election requirement of Section 8.1. Any such payment shall be made as soon as administratively feasible following the Participant's date of death.

ARTICLE IX

TIME AND FORM OF PAYMENT OF BENEFITS

9.1 TIME OF PAYMENT OF BENEFITS. Except as provided in Article VIII, payment of benefits under the Plan to a Participant shall commence as of such Participant's Annuity Starting Date, but the first payment shall be made no earlier than the expiration of the election period described in Section 9.4(b). In the event that administrative problems prevent a Participant's Plan benefit payments to commence upon his Annuity Starting Date, the first Plan benefit payment made to such Participant shall include all amounts which should previously have been paid to such Participant plus interest on the delayed Cash Balance Accrual payment or payments determined with reference to the Interest Crediting Rate.

9.2 RESTRICTIONS ON TIME OF PAYMENT OF BENEFITS.

(a) Plan provisions to the contrary notwithstanding, a Participant's Annuity Starting Date shall not occur:

(1) Unless such Participant consents (and, if such Participant has an Eligible Surviving Spouse, unless such Eligible Surviving Spouse consents (with such consent being irrevocable) in accordance with the requirements of sections 411 and 417 of the Code and applicable Treasury regulations thereunder), prior to such Participant's Normal Retirement Date, except that consent of the Participant's Eligible Surviving Spouse under this Paragraph (a)(1) shall not be required if the Participant's benefit is to be paid in the standard form of benefit described in Section 9.3;

(2) Unless the Participant or former Participant otherwise elects, after the 60th day following the close of the Plan Year during which such Participant (a) attains, or would have attained, his Normal Retirement Date or, if later, (b) incurs a Severance from Service; or

(3) At a time or in a manner inconsistent with, and in an amount required by, the provisions of section 401(a)(9) of the Code and applicable Department of Treasury Regulations thereunder and, in no event, after the Participant's or former Participant's Required Beginning Date; further, a Participant may not elect to defer the receipt of his benefit hereunder to the extent that such deferral creates a death benefit that is more than incidental within the meaning of section 401(a)(9)(G) of the Code and applicable Treasury regulations thereunder.

(b) The Committee shall furnish certain information pertinent to a Participant's consent under Paragraph (a)(1) to each Participant no less than 30 days (unless such 30-day period is waived by an affirmative election in accordance with applicable Treasury regulations) and no more than 90 days before his Annuity Starting Date, and the furnished information shall include a general description of the material features of, and an explanation of the relative values of, the alternative forms of benefit available under the Plan and must inform the Participant of his right to defer his Annuity

Starting Date and of his Direct Rollover right pursuant to Section 9.7 below, if applicable.

(c) Subject to the provisions of Paragraphs (a)(2) and (a)(3), a Participant's Annuity Starting Date shall not occur while the Participant is employed by the Employer or an Affiliated Company.

(d) Section 8.1 and Paragraphs (a)(1) and (a)(2) above notwithstanding, but subject to the provisions of Paragraph (a)(3) above, a Participant, other than a Participant whose Actuarially Equivalent present value of his Vested Interest in his Plan benefit is not in excess of $5,000, must file a claim for benefits in the manner prescribed by the Committee before payment of his benefits will commence.

9.3 REQUIRED DISTRIBUTIONS AND DISTRIBUTION DEADLINES. Notwithstanding any other provision of the Plan, all benefits payable under the Plan shall be distributed, or commence to be distributed, in compliance with the following provisions:

(a) REQUIRED DISTRIBUTIONS FOR CERTAIN PERSONS WHO ARE 70 1/2 OR OLDER. A Participant's or former Participant's entire Vested Interest in his Plan benefit must be distributed to him in a single sum no later than his Required Beginning Date, or must be distributed, beginning not later than his Required Beginning Date, over the life of the Participant or former Participant, or the joint lives of the Participant or former Participant and his Section 401(a)(9) Beneficiary, or over a period not extending beyond the life expectancy of the Participant or former Participant or the joint and last survivor expectancy of the Participant or former Participant and his Section 401(a)(9) Beneficiary. The distribution required to be made on or before the Participant's or former Participant's Required Beginning Date shall be the distribution required for his first Distribution Calendar Year. The minimum required distribution for other Distribution Calendar Years, including the required minimum distribution for the Distribution Calendar Year in which the Participant's or former Participant's Required Beginning Date occurs must be made on or before December 31 of that Distribution Calendar Year. In the case of a benefit payable in a form other than a single sum or an annuity purchased from an insurance company, the amount that must be distributed for a Distribution Calendar Year is an amount equal to the payment that is required for one payment interval as specified in paragraphs (b),(c) and (d) of this Section 9.3.

(b) AMOUNT REQUIRED TO BE DISTRIBUTED BY REQUIRED BEGINNING DATE IN THE CASE OF ANNUITY PAYMENTS FROM THE PLAN. The amount that must be distributed on or before the Participant's or former Participant's Required Beginning Date (or, if the Participant or former Participant dies before his Required Beginning Date, the date distributions are required to begin under Section 9.3(e)) is the payment that is required for one payment interval. The second payment need not be made until the end of the next payment interval even if that payment interval ends in the next calendar year. Payment intervals are the periods for which payments are received, e.g., bi-monthly, monthly, semi-annually, or annually. All of the Participant's or former Participant's benefit accruals as of the last day of the first Distribution Calendar Year will be included in the

calculation of the amount of the annuity payments for payment intervals ending on or after the participant's required beginning date.

Any additional benefits accruing to the Participant or former Participant in a calendar year after the first Distribution Calendar Year will be distributed beginning with the first payment interval ending in the calendar year immediately following the calendar year in which such amount accrues.

(c) REQUIREMENTS FOR ANNUITY DISTRIBUTIONS THAT COMMENCE DURING PARTICIPANT'S LIFETIME.

(1) JOINT LIFE ANNUITIES WHERE THE SECTION 401(A)(9) BENEFICIARY IS NOT THE PARTICIPANT'S OR FORMER PARTICIPANT'S SPOUSE. If the Participant's or the former Participant's interest is being distributed in the form of a joint and survivor annuity for the joint lives of the Participant or former Participant and a nonspouse Section 401(a)(9) Beneficiary, annuity payments to be made on or after the Participant's or former Participant's Required Beginning Date to the Section 401(a)(9) Beneficiary after the Participant's or former Participant's death must not at any time exceed the applicable percentage of the annuity payment for such period that would have been payable to the Participant or former Participant using the table set forth in Q&A-2 of Section 1.401(a)(9)-6T of the Department of Treasury Regulations. If the form of distribution combines a joint and survivor annuity for the joint lives of the Participant or the former Participant and a nonspouse Beneficiary and a period certain annuity, the requirement in the preceding sentence will apply to annuity payments to be made to the Section 401(a)(9) Beneficiary after the expiration of the period certain.

(2) PERIOD CERTAIN ANNUITIES. Unless the Participant's or former Participant's Spouse is the sole Section 401(a)(9) Beneficiary and the form of distribution is a period certain and no life annuity, the period certain for an annuity distribution commencing during the Participant's or former Participant's lifetime may not exceed the applicable distribution period for the Participant or former Participant under the Uniform Lifetime Table set forth in Section 1.401(a)(9)-9 of the Department of Treasury Regulations for the calendar year that contains the Annuity Starting Date. If the Annuity Starting Date precedes the year in which the Participant or former Participant reaches age 70, the Applicable Distribution Period for the Participant or former Participant is the distribution period for age 70 under the Uniform Lifetime Table set forth in Section 1.401(a)(9)-9 of the Treasury Regulations plus the excess of 70 over the age of the Participant or former Participant as of the Participant's or former Participant's birthday in the year that contains the Annuity Starting Date. If the Participant's or former Participant's spouse is the Participant's or former Participant's sole Section 401(a)(9) Beneficiary and the form of distribution is a period certain and no life annuity, the period certain may not exceed the longer of the Participant's or the former Participant's applicable distribution period, as determined hereunder, or the joint life and last survivor expectancy of the Participant or former Participant and the Participant's or former Participant's Spouse as determined under the Joint and Last Survivor Table set forth in Section 1.401(a)(9)-9 of the Department of Treasury Regulations, using the Participant's or former Participant's and Spouse's attained ages as of the Participant's or former

Participant's and Spouse's birthdays in the calendar year that contains the Annuity Starting Date.

(d) REQUIREMENTS FOR MINIMUM DISTRIBUTIONS WHERE PARTICIPANT DIES BEFORE DATE DISTRIBUTIONS BEGIN.

(A) PARTICIPANT OR FORMER PARTICIPANT SURVIVED BY SECTION 401(A)(9) BENEFICIARY. If the Participant or former Participant dies before the date distribution of his interest begins and there is a Section 401(a)(9) Beneficiary, the Participant's or former Participant's entire interest will be distributed, beginning no later than the time described in Section 9.3(e), over the life of the Section 401(a)(9) Beneficiary or over a period certain not exceeding:

(i) unless the Annuity Starting Date is before the first Distribution Calendar Year -

(a) if the Section 401(a)(9) Beneficiary is not the Participant's or former Participant's Spouse, the life expectancy of the Section 401(a)(9) Beneficiary determined using the Section 401(a)(9) Beneficiary's age as of the Section 401(a)(9) Beneficiary's birthday in the calendar year immediately following the calendar year of the Participant's or former Participant's death. In subsequent calendar years, the distribution period is reduced by one for each calendar year that has elapsed after the calendar year immediately following the Participant's for former Participant's death.

(b) if the sole Section 401(a)(9) Beneficiary is the Participant's or former Participant's Spouse, such Spouse's life expectancy using such Spouse's birthday for each Distribution Calendar Year after the calendar year of the Participant's or former Participant's death up through the calendar year of such Spouse's death. For calendar years after the calendar year of such Spouse's death, the applicable distribution period is the life expectancy of such Spouse using the age of such Spouse as of such Spouse's birthday in the calendar year of such Spouse's death, reduced by one for each calendar year that has elapsed after the calendar year of such Spouse's death.

(ii) if the Annuity Starting Date is before the first Distribution Calendar Year, the life expectancy of the Section 401(a)(9) Beneficiary determined using the Section 401(a)(9) Beneficiary's age as of the Section 401(a)(9) Beneficiary's birthday in the calendar year that contains the Annuity Starting Date.

(B) NO SECTION 401(A)(9) BENEFICIARY. If the Participant or former Participant dies before the date distributions begin and there is no Section 401(a)(9) Beneficiary as of September 30 of the year following the year of the Participant's or former

Participant's death, distribution of the Participant's or former Participant's entire Vested Interest in his Plan benefit will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's or former Participant's death.

(C) DEATH OF SURVIVING SPOUSE BEFORE DISTRIBUTIONS TO SURVIVING SPOUSE BEGIN. If the Participant or former Participant dies before the date distribution of his or her Vested Interest in his Plan benefit begins, the Participant's or former Participant's surviving Spouse is the Participant's or former Participant's sole Section 401(a)(9) Beneficiary, and the surviving Spouse dies before distributions to the surviving Spouse begin, this paragraph (d) will apply as if the surviving Spouse were the Participant or former Participant, except that the time by which distributions must begin will be determined without regard to Section 9.3(e)(1).

(e) DISTRIBUTION DEADLINE FOR DEATH BENEFIT WHEN PARTICIPANT OR FORMER PARTICIPANT DIES BEFORE HIS DISTRIBUTIONS BEGIN. If a Participant or former Participant dies before the date distribution of his Vested Interest in his Plan benefit begins, his entire Vested Interest in his Plan benefit will be distributed, or begin to be distributed, to his Section 401(a)(9) Beneficiary no later than as follows:

(1) If the Participant's or former Participant's surviving Spouse is the Participant's or former Participant's sole Section 401(a)(9) Beneficiary, then distributions to the surviving Spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant or former Participant died, or by December 31 of the calendar year in which the Participant or former Participant would have attained age 70 1/2 , if later.

(2) If the Participant's or former Participant's surviving Spouse is not the Participant's or former Participant's sole Section 401(a)(9) Beneficiary and the payment of Plan death benefits to the Section 401(a)(9) Beneficiary will not be in the form of a single sum or a commercial annuity, then distributions to the Section 401(a)(9) Beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant or former Participant died.

(3) If the Participant's or former Participant's surviving Spouse is the Participant's or former Participant's sole Section 401(a)(9) Beneficiary, and the payment of a Plan death benefit to the Section 401(a)(9) Beneficiary will be in the form of a single sum, then the Participant's or former Participant's entire Vested Interest in his Plan benefit will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's or former Participant's death.

(4) If there is no Section 401(a)(9) Beneficiary as of September 30 of the calendar year following the calendar year of the Participant's or former Participant's death, then the Participant's or former Participant's entire Vested Interest in his Plan benefit will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's or former Participant's death.

(5) If the Participant's or former Participant's surviving Spouse is the Participant's or former Participant's sole Section 401(a)(9) Beneficiary and the surviving Spouse dies after the Participant or former Participant but before distributions to the surviving Spouse begin, this Section 9.3(e), other than Section 9.3(e)(1), will apply as if the surviving Spouse were the Participant.

For purposes of this Section 9.3(e) and Section 9.3(d), distributions are considered to begin on the Participant's or former Participant's Required Beginning Date (or, if Section 9.3(e)(4) applies, the date distributions are required to begin to the surviving Spouse under Section 9.3(e)(1)). If annuity payments irrevocably commence to the Participant or former Participant before the Participant's or former Participant's required Beginning Date (or to the Participant's or former Participant's surviving Spouse before the date distributions are required to begin to the surviving Spouse under Section 9.3(e)(1)), the date distributions are considered to begin is the date distributions actually commence.

(f) DISTRIBUTION OF DEATH BENEFIT WHEN PARTICIPANT OR FORMER PARTICIPANT DIES ON OR AFTER HIS REQUIRED BEGINNING DATE. If a Participant or former Participant dies on or after his Required Beginning Date, his Plan benefit must be distributed to his Section 401(a)(9) Beneficiary at least as rapidly as the method of payment of minimum required distributions being used as of the date of his death.

(g) LIMITATIONS ON DEATH BENEFITS. Benefits payable under the Plan shall not be provided in any form that would cause a Participant's death benefit to be more than incidental. Any distribution required to satisfy the incidental benefit requirement shall be considered a required distribution for purposes of section 401(a)(9) of the Code.

(h) GENERAL ANNUITY REQUIREMENTS. If the Participant's or former Participant's Vested Interest in his Plan benefit is paid in the form of annuity distributions under the Plan, payments under the annuity will satisfy the following requirements:

(1) the annuity distributions will be paid in periodic payments made at intervals not longer than one year;

(2) the distribution period will be over a life (or lives) or over a period certain not longer than the period described in Section 9.3(d) or 9.3(e);

(3) once payments have begun over a period certain, the period certain will not be changed even if the period certain is shorter than the maximum permitted;

(4) payments will either be nonincreasing or increase only as follows:

(a) by an annual percentage increase that does not exceed the annual percentage increase in a cost-of-living index that is based on prices of all items and issued by the Bureau of Labor Statistics;

(b) to the extent of the reduction in the amount of the Participant's or former Participant's payments to provide for a survivor

benefit upon death, but only if the Section 401(a)(9) Beneficiary whose life was being used to determine the distribution period described in Section 9.3(c) dies or is no longer the Participant's or former Participant's Beneficiary pursuant to a Qualified Domestic Relations Order;

(c) to provide cash refunds of employee contributions upon the Participant's or former Participant's death; or

(d) to pay increased benefits that result from a Plan amendment.

(i) REQUIREMENTS IN THE CASE OF A COMMERCIAL ANNUITY. If a Participant's or former Participant's Vested Interest in his Plan benefit is distributed in the form of an annuity purchased from an insurance company, distributions under the annuity contract will be made in accordance with the requirements of section 401(a)(9) of the Code and Department of Treasury Regulations.

(j) COMPLIANCE WITH SECTION 401(A)(9). All distributions under the Plan will be made in accordance with the requirements of section 401(a)(9) of the Code and all Regulations promulgated thereunder, including, effective January 1, 2001, until January 1, 2003, Regulations that were proposed in January of 2001 but not including Regulations that were proposed prior to January of 2001; and including, effective January 1, 2003, the Final Section 401(a)(9) Regulations, including sections 1.401(a)(9)-1 through 1.401(a)(9)-9 of the Final Section 401(a)(9) Regulations. The provisions of the Plan reflecting section 401(a)(9) of the Code override any distribution options in the Plan inconsistent with section 401(a)(9) of the Code.

(k) COMPLIANCE WITH SECTION 401(A)(14). Unless the Participant or former Participant otherwise elects, the payment of benefits under the Plan to the Participant or former Participant will begin not later than the 60th day after the close of the Plan Year in which occurs the latest of (a) the date on which the Participant or former Participant attains the later of age 62 or Retirement Age, (b) the tenth anniversary of the year in which the Participant or former Participant commenced participation in the Plan, or (c) the Participant's or former Participant's Separation From Service.

9.4 STANDARD FORM OF BENEFIT FOR PARTICIPANTS. For purposes of Article V, VI, or VII, the standard form of benefit for any Participant who is married on his Annuity Starting Date shall be a joint and survivor annuity. Such joint and survivor annuity shall be an annuity which is payable for the life of the Participant with a survivor annuity for the life of the Participant's Eligible Surviving Spouse that shall be one-half of the amount of the annuity payable during the joint lives of the Participant and the Eligible Surviving Spouse. The standard form of benefit for any Participant who is not married on his Annuity Starting Date shall be an annuity which is payable for the life of such Participant.

9.5 ELECTION NOT TO TAKE STANDARD FORM OF BENEFIT.

(a) Subject to Paragraph (c) below, any Participant who would otherwise receive the standard form of benefit described in Section 9.4 may elect not to take his benefit in such form by executing the benefit election form prescribed by the Committee during the election period described in Paragraph (b) below. Any election may be revoked and subsequent elections may be made or revoked at any time during such election period.

(b) The Committee shall furnish certain information pertinent to this Section 9.5 election to each Participant no less than 30 days before the end of the election period described below (unless such 30-day period is waived by an affirmative election in accordance with the Code and applicable Treasury regulations) and no more than 90 days before his Annuity Starting Date. The furnished information shall be written in nontechnical language and shall include an explanation of (1) the terms and conditions of the standard form of benefit, (2) such Participant's right to make an election not to take his benefit in the standard form and the effect of such an election, (3) the rights of such Participant's Eligible Surviving Spouse, if any, (4) the right to revoke any such election and the effect of such revocation, (5) a general description of the eligibility conditions and other material features of the alternative forms of benefit available pursuant to Section 9.6, and (6) sufficient additional information to explain the relative values of such alternative forms of benefit. The period of time during which a Participant may make or revoke the election described in this Section shall be the 90-day period ending on the later of such Participant's Annuity Starting Date or the thirtieth day after the information required by this Paragraph has been furnished to the Participant; provided, however, that a Participant may affirmatively elect (with spousal consent if required by Paragraph (c)) to waive the requirement that such information be provided at least 30 days before the end of the election period so long as the election period does not end, and the Participant's benefit hereunder does not commence, until at least eight days after the information required by this Paragraph has been furnished to the Participant. In the event of such waiver, the election period shall end on the later of the date of the waiver or the eighth day after the information required by this Paragraph has been furnished to the Participant, and payment of the Participant's benefit shall commence as soon as administratively feasible thereafter.

(c) Notwithstanding anything to the contrary herein, an election by a married Participant not to receive his benefit in the standard form as provided in Section 9.4 shall not be effective unless (1) such Participant's Eligible Surviving Spouse has consented thereto in writing (including consent to the specific benefit form elected, if any, which election may not subsequently be changed by the Participant without spousal consent) and such consent acknowledges the effect of such election and is witnessed by a Plan representative (other than the Participant) or a notary public, or (2) the consent of such spouse cannot be obtained because such Eligible Surviving Spouse cannot be located or because of other circumstances described by applicable Treasury regulations.

9.6 ALTERNATIVE FORMS OF BENEFIT. For purposes of Article V, VI, or VII, the benefit for any Participant who has elected pursuant to Section 9.4 not to receive his benefit in the standard form set forth in Section 9.3 shall be paid in one of the following actuarially equivalent alternative forms to be selected by such Participant prior to his Annuity Starting Date; provided, however, that the period and method of payment of any such form shall be in compliance with the provisions of section 401(a)(9) of the Code and applicable Treasury regulations thereunder:

(a) If such Participant is married, a single life annuity for the life of such Participant.

(b) If such Participant is married, an annuity for the joint lives of the Participant and his Eligible Surviving Spouse providing 100% survivor benefits to such Eligible Surviving Spouse.

(c) A single lump sum cash payment.

9.7 CASH-OUT OF ACCRUED BENEFIT. If a Participant incurs a Severance from Service and the Actuarially Equivalent present value of his Vested Interest in his Plan benefit (expressed in the form of a single life annuity commencing at the Participant's Normal Retirement Date) is not in excess of $5,000, such present value shall be paid to such terminated Participant in lieu of any other benefit herein provided and without regard to Section 9.4 and the election and spousal consent requirements of Section 9.5. Any such payment shall be made as soon as administratively feasible following such Participant's Severance from Service or, if later, the date the Participant's Vested Interest in such Plan benefit ceases to have a present value of more than $5,000. The provisions of this Section 9.7 shall not be applicable to a Participant following his Annuity Starting Date.

9.8 DIRECT ROLLOVER ELECTION. Notwithstanding any provision of the Plan to the contrary that would otherwise limit a Distributee's election under this Section, a Distributee may elect, at the time and in the manner prescribed by the Committee, to have all or any portion of an Eligible Rollover Distribution paid directly to an Eligible Retirement Plan specified by the Distributee in a Direct Rollover. Prior to any Direct Rollover pursuant to this Section, the Committee may require the Distributee to furnish the Committee with a statement from the plan, account, or annuity to which the benefit is to be transferred verifying that such plan, account, or annuity is, or is intended to be, an Eligible Retirement Plan.

9.9 SPECIAL DISTRIBUTION LIMITATIONS.

(a) For purposes of this Section, the following terms shall have the following meanings:

(1) "BENEFIT" of a Participant includes (A) loans from the Plan in excess of the amounts set forth in section 72(p)(2)(A) of the Code, (B) any periodic income from the Plan, (C) any Plan withdrawal values payable to a living Participant, and (D) any death benefits from the Plan not provided for by insurance on the Participant's life.

(2) "CURRENT PLAN LIABILITIES" means with respect to a Plan Year the amount described in section 412(l)(7) of the Code for such Plan Year.

(3) "RESTRICTED PARTICIPANT" includes with respect to a Plan Year any Participant who during such Plan Year is (A) either a Highly Compensated Employee, or a "highly compensated former employee," as such term is defined in section 414(q)(9) of the Code, and (B) is one of the 25 most highly compensated nonexcludable employees and former employees, as defined in Treasury regulation section 1.401(a)(4)-12, based on compensation, within the meaning of section 414(s) of the Code, received from the Employer and Affiliated Companies in the current or any other Plan Year.

(b) Subject to the provisions of Paragraph (c), the annual payments from the Plan to a Restricted Participant for a Plan Year may not exceed an amount equal to the annual payments that would be made on behalf of such Restricted Participant under (1) a single life annuity that is the Actuarial Equivalent of the sum of (A) the Restricted Participant's Accrued Benefit and (B) the Restricted Participant's Benefit under the Plan other than his Accrued Benefit and any Social Security supplement provided by the Plan and (2) any Social Security supplement provided by the Plan.

(c) The provisions of Paragraph (b) shall not apply if (1) after payment to a Restricted Participant of his Benefit, the value of the assets of the Trust equals or exceeds 110% of the value of Current Plan Liabilities, (2) the value of the Restricted Participant's Benefit is less than 1% of the value of Current Plan Liabilities before payment of the Restricted Participant's Benefit, or (3) the present value of the Restricted Participant's Benefit does not (and at the time of any prior distribution did not) exceed $5,000.

9.10 CESSATION OF CERTAIN PAYMENTS IF LIQUIDITY SHORTFALL. Plan provisions to the contrary notwithstanding, no payment in excess of a life annuity payment as described in section 401(a)(32)(B) of the Code shall be made during any period that the Plan has a "liquidity shortfall" (as defined in section 412(m)(5) of the Code).

9.11 BENEFICIARIES.

(a) Subject to the restrictions of Sections 9.4 and 9.5, each Participant shall have the right to designate the beneficiary or beneficiaries to receive any continuing payments in the event such Participant's benefit is payable in a form whereby payments could continue beyond such Participant's death. Each such designation shall be made on

the form prescribed by the Committee and shall be filed with the Committee. Any such designation may be changed at any time by such Participant by execution of a new designation form and filing such form with the Committee. If no such designation of beneficiary for a benefit payable in a form containing a term certain is on file with the Committee at the time of the death of the Participant or if such designation is not effective for any reason as determined by the Committee, then the designated beneficiary or beneficiaries to receive such continuing payments for the remainder of such term certain shall be as follows:

(1) If a Participant leaves a surviving spouse, any such continuing payments shall be paid to such surviving spouse;

(2) If a Participant leaves no surviving spouse, any such continuing payments shall be paid to such Participant's executor or administrator or to his heirs-at- law if there is no administration of such Participant's estate.

(b) Each Participant shall have the right to designate the beneficiary or beneficiaries to receive any benefit payable with respect to such Participant pursuant to Section 8.1(b). Each such designation shall be made on the form prescribed by the Committee and shall be filed with the Committee. Any such designation may be changed at any time by executing a new designation and filing same with the Committee. If no such designation is on file with the Committee at the time of the death of the Participant or such designation is not effective for any reason as determined by the Committee, then the designated beneficiary or beneficiaries to receive such continuing payments shall be paid to such Participant's executor or administrator or to his heirs-at-law if there is no administration of such Participant's estate.

9.12 REEMPLOYMENT OF PARTICIPANTS.

(a) Upon reemployment of a Participant who had previously incurred a Severance from Service, payment of his Cash Balance Accrual shall be made, commence or continue, as applicable, as if such reemployment had not occurred. Subject to Section 4.4(b), upon a Severance from Service of any Participant's reemployment, such Participant shall be entitled to a second Cash Balance Accrual from the Plan based on credits to his Cash Balance Accrual made pursuant to Section 4.2 for the period of his reemployment which shall be computed without regard to his Cash Balance Accrual based upon credits pursuant to Section 4.2 for his prior period of employment.

(b) With respect to a Participant who is covered by this Section 9.12, (1) if such Participant's original Annuity Starting Date occurred prior to his Normal Retirement Date, the Participant's original Annuity Starting Date and any elections and consents made pursuant to the provisions of Section 9.4 for such original Annuity Starting Date shall not apply to any additional benefits accrued during the Participant's period of reemployment and the commencement of such additional benefit payments shall be considered a new Annuity Starting Date with respect to such payments or (2) if such Participant's original Annuity Starting Date occurred on or after his Normal Retirement Date, the Participant's original Annuity Starting Date and any elections and consents

made pursuant to the provisions of Section 9.5 for such original Annuity Starting Date shall also apply to any additional benefits accrued during the Participant's period of reemployment.

9.13 ACTUARIAL EQUIVALENCY. With respect to any benefit payable pursuant to the Plan, whichever form of payment is selected, the value of such benefit shall be the Actuarial Equivalent of the Plan benefit to which the particular Participant is entitled.

9.14 COMMERCIAL ANNUITIES. At the direction of the Committee, the Trustee may pay any form of benefit provided hereunder other than a lump sum or a Direct Rollover pursuant to Section 9.8 by the purchase of a commercial annuity contract and the distribution of such contract to the Participant or beneficiary. Thereupon, the Plan shall have no further liability with respect to the amount used to purchase the annuity contract and such Participant or beneficiary shall look solely to the company issuing such contract for such annuity payments. All certificates for commercial annuity benefits shall be nontransferable, except for surrender to the issuing company, and no benefit thereunder may be sold, assigned, discounted, or pledged (other than as collateral for a loan from the company issuing same). Notwithstanding the foregoing, the terms of any such commercial annuity contract shall conform with the time of payment, form of payment, and consent provisions of Articles VIII and IX.

9.15 UNCLAIMED BENEFITS. In the case of a benefit payable on behalf of a Participant, if the Committee is unable to locate the Participant or beneficiary to whom such benefit is payable, upon the Committee's determination thereof, such benefit shall be forfeited. Notwithstanding the foregoing, if subsequent to any such forfeiture the Participant or beneficiary to whom such benefit is payable makes a valid claim for such benefit, such forfeited benefit shall be restored.

9.16 CLAIMS PROCEDURES.

(a) CLAIMS DETERMINATION PROCEDURE. When a benefit is due, the Participant, former Participant, or Beneficiary (collectively referred to as "Claimant") should submit a claim to the office designated by the Committee to receive claims. Under normal circumstances, the Committee shall notify the Claimant of any claims denial (wholly or partially) within 90 days after receipt of the claim (without regard to whether all the information necessary to make the benefit determination accompanies the filing). The Committee may unilaterally extend the initial 90-day claims determination period up to an additional 90-days, if the Committee determines that special circumstances exist requiring additional time for processing the claim. If the initial claims determination period is extended by the unilateral action of the Committee, the Committee shall, prior to the expiration of the initial 90-day claims determination period, notify the Claimant in writing of the extension. The written notice of extension shall identify the special circumstances necessitating the extension and provide the anticipated date for the final decision.

The Committee shall notify the Claimant of any claims denial in writing. The notification must be calculated to be understood by the Claimant and must include: the specific reasons for the denial; the Plan provisions upon which the denial is based; a description of any additional material or information necessary for the claimant to perfect

the claim and an explanation of why such material or information is necessary; and a description of the Plan's review procedures and time limits, including a statement of the Claimant's right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review.

If a decision is not given to the Claimant within the claims review period, the claim is treated as if it were denied on the last day of the claims review period.

(b) CLAIMS APPEAL PROCEDURE. If a Claimant's claim for benefits is denied (in whole or in part), he is entitled to a full and fair review of that denial. The Claimant shall have 60 days from the receipt of any adverse claim determination to appeal the denial. If the Claimant does not file an appeal within 60 days of the adverse claim determination, such denial becomes final. The Claimant shall be afforded an opportunity to submit written comments, documents, records, and other information relating to the claim for benefits to the reviewing fiduciary. In addition, the claimant shall be entitled to receive upon request and free of charge reasonable access to and copies of all information relevant to the claim. For this purpose, "relevant" means information that was relied on in making the benefit determination or that was submitted, considered or generated in the course of making the determination, without regard to whether it was relied on, and information that demonstrates compliance with the Plan's administrative procedures and safeguards for assuring and verifying that Plan provisions are applied consistently in making benefit determinations.

The Committee must take into account all comments, documents, records, and other information submitted by the Claimant relating to the claim, without regard to whether the information was submitted or considered in the initial benefit determination. The Claimant may either represent himself or appoint a representative, either of whom has the right to inspect all documents pertaining to the claim and its denial. The Committee may schedule any meeting with the Claimant or his representative that it finds necessary or appropriate to complete its review.

Upon completing its review of the benefit claim denial within the relevant appeals determination period, the Committee shall provide the Claimant with a written notice of its benefit determination. The notice shall set forth the specific reasons for its action, the Plan provisions on which its decision is based, and a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Claimant's claim for benefits, and a statement of the Claimant's right to bring an action under section 502(a) of ERISA If a decision is not given to the claimant within the review period, the claim is treated as if it were denied on the last day of the review period.

(c) APPEAL DETERMINATION PERIOD WHERE NO REGULARLY SCHEDULED ADMINISTRATIVE MEETINGS. If a timely request is made, the Committee shall notify the Claimant of the determination upon review within 60 days after receipt of the request for review (without regard to whether all the information necessary to make the benefit determination accompanies the filing). The Committee may unilaterally extend the initial 60-day review period by a period not to exceed an additional 60 days, if the Committee

determines that special circumstances exist requiring additional time for reviewing the claim. If the initial review period is extended by the unilateral action of the Committee, the Committee shall, prior to the expiration of the initial 60 day review period, notify the Claimant in writing of the extension. The written notice of extension shall identify the special circumstances necessitating the extension and provide the anticipated date by which the Plan expects to render the determination on review.

(d) APPEAL DETERMINATION PERIOD WHERE REGULARLY SCHEDULED ADMINISTRATIVE MEETINGS. If the Committee holds regularly scheduled meetings (at least quarterly), the above 60-day review period (with extensions) shall not apply. In that event, the Committee shall make benefit determinations no later than the date of the Committee meeting that immediately follows the Committee's receipt of a request for review, unless the request for review is received within 30 days before the date of such meeting. If the request for review is received within 30 days of the next Committee meeting, the review of the benefit determination shall be made no later than the date of the second Committee meeting following the receipt of the request for review. In addition, the Committee may unilaterally extend the review period to the date of the Committee meeting immediately following the initial review period if the Committee determines that special circumstances exist requiring additional time for reviewing the claim. If the initial review period is extended by the unilateral action of the Committee, the Committee shall, prior to the expiration of the initial review period, notify the Claimant in writing of the extension. The written notice of extension shall identify the special circumstances necessitating the extension and provide the anticipated date by which the Plan expects to render the determination on review. The Committee shall notify the Claimant of its determination no later than five days after rendering the determination.

ARTICLE X

LIMITATIONS ON BENEFITS

10.1 GENERAL LIMITATIONS. Contrary Plan provisions notwithstanding, the benefit of a Participant under the Plan shall not exceed the maximum benefit permitted pursuant to section 415(b) of the Code (as adjusted in accordance with the provisions of section 415(d) of the Code). In addition, for purposes of section 415(b) of the Code, if a Participant elects to receive his benefit in an alternate form pursuant to Section 9.5(b), such form of benefit shall be treated as a qualified joint and survivor annuity and accordingly shall not be required to be adjusted to a straight life annuity calculated using the actuarial assumptions in section 415(b)(2)(E) of the Code. The provisions of the Treasury regulations promulgated under section 415 of the Code that may not be applied in more than one manner are hereby incorporated by reference and shall control over any Plan provision to the contrary.

10.2 COMBINING PLANS. For purposes of determining whether the Plan benefit of a Participant exceeds the limitations provided in this Section, all defined benefit plans of the Employer and Affiliated Companies are to be treated as one defined benefit plan. For purposes of this Paragraph only, an "Affiliated Company" (other than an affiliated service group member within the meaning of section 414(m) of the Code) shall be determined by application of a more than 50% control standard in lieu of an 80% control standard.

10.3 LIMITATION YEAR. For purposes of this Article, the "limitation year" (as that term is defined in Treasury regulation section 1.415-2(b)) shall be the Plan Year.

ARTICLE XI

FUNDING

11.1 NO CONTRIBUTIONS BY PARTICIPANTS. The Plan is to be funded solely from contributions by the Employer, and Participants are neither required nor permitted to make contributions to this Plan.

11.2 EMPLOYER CONTRIBUTIONS. The Employer, acting under the advice of the actuary for the Plan, intends but does not guarantee to make contributions to the Trust in such amount and at such times as are required to maintain the Plan and Trust for its Employees in compliance with the provisions of section 412 of the Code. All contributions made by the Employer to the Trust shall be used to fund benefits under the Plan or to pay expenses of the Plan and Trust and shall be irrevocable, except as otherwise provided in Sections 11.5 and 17.2(c).

11.3 FORFEITURES. All forfeitures arising under the Plan will be applied to reduce the Employer's contributions thereunder and shall not be used to increase the benefits any Participant would otherwise receive under the Plan at any time prior to termination of the Plan.

11.4 PAYMENTS TO TRUSTEE. The Employer's contributions shall be paid directly to the Trustee. On or about the date of any such payment, the Committee shall be informed as to the amount of such payment.

11.5 RETURN OF CONTRIBUTIONS. Anything to the contrary herein notwithstanding, the Employer's contributions are contingent upon the deductibility of such contributions under section 404 of the Code. To the extent that a deduction for contributions is disallowed, such contributions shall, upon the written demand of the Employer, be returned to the Employer by the Trustee within one year after the date of disallowance, reduced by any net losses of the Trust Fund attributable thereto but not increased by any net earnings of the Trust Fund attributable thereto. Moreover, if Employer contributions are made under a mistake of fact, such contributions shall, upon the written demand of the Employer, be returned to the Employer by the Trustee within one year after the payment thereof, reduced by any net losses of the Trust Fund attributable thereto but not increased by any net earnings of the Trust Fund attributable thereto. In addition, if Employer contributions are conditioned on the qualification of the Plan by the Internal Revenue Service, such contributions shall, upon the written demand of the Employer, be returned to the Employer by the Trustee within one year after the payment thereof, reduced by any losses of the Trust Fund attributable thereto and increased by earnings of the Trust Fund attributable thereto.

ARTICLE XII

ADMINISTRATION OF THE PLAN

12.1 APPOINTMENT OF COMMITTEE. The general administration of the Plan shall be vested in the Committee which shall be appointed by the Board and shall consist of one or more persons. Any individual, whether or not an Employee, is eligible to become a member of the Committee. Each member of the Committee shall, before entering upon the performance of his duties, qualify by signing a consent to serve as a member of the Committee under and pursuant to the Plan and by filing such consent with the records of the Committee. For purposes of the Act, the Committee shall be the Plan "administrator" and shall be the "named fiduciary" with respect to the general administration of the Plan (except as to the investment of the assets of the Trust Fund).

12.2 TERM, VACANCIES, RESIGNATION, AND REMOVAL. Each member of the Committee shall serve until he resigns, dies, or is removed by the Board. At any time during his term of office, a member of the Committee may resign by giving written notice to the Board and the Committee, such resignation to become effective upon the appointment of a substitute member or, if earlier, the lapse of 30 days after such notice is given as herein provided. At any time during his term of office, and for any reason, a member of the Committee may be removed by the Board with or without cause, and the Board may in its discretion fill any vacancy that may result therefrom. Any member of the Committee who is an Employee shall automatically cease to be a member of the Committee as of the date he ceases to be employed by the Employer or an Affiliated Company.

12.3 OFFICERS, RECORDS, AND PROCEDURES. The Committee may select officers and may appoint a secretary who need not be a member of the Committee. The Committee shall keep appropriate records of its proceedings and the administration of the Plan and shall make available for examination during business hours to any Participant or beneficiary such records as pertain to that individual's interest in the Plan. The Committee shall designate the person or persons who shall be authorized to sign for the Committee and, upon such designation, the signature of such person or persons shall bind the Committee.

12.4 MEETINGS. The Committee shall hold meetings upon such notice and at such time and place as it may from time to time determine. Notice to a member shall not be required if waived in writing by that member. A majority of the members of the Committee duly appointed shall constitute a quorum for the transaction of business. All resolutions or other actions taken by the Committee at any meeting where a quorum is present shall be by vote of a majority of those present at such meeting and entitled to vote. Resolutions may be adopted or other action taken without a meeting upon written consent signed by all of the members of the Committee.

12.5 SELF-INTEREST OF MEMBERS. No member of the Committee shall have any right to vote or decide upon any matter relating solely to himself under the Plan or to vote in any case in which his individual right to claim any benefit under the Plan is particularly involved. In any case in which a Committee member is so disqualified to act, and the remaining members cannot agree, the Board shall appoint a temporary substitute member to exercise all the powers of the disqualified member concerning the matter in which he is disqualified.

12.6 COMPENSATION AND BONDING. The members of the Committee shall not receive compensation with respect to their services for the Committee. To the extent required by the Act or other applicable law, or required by the Employer, members of the Committee shall furnish bond or security for the performance of their duties hereunder.

12.7 COMMITTEE POWERS AND DUTIES. The Committee shall supervise the administration and enforcement of the Plan according to the terms and provisions hereof and shall have all powers necessary to accomplish these purposes, including, but not by way of limitation, the right, power, authority, and duty:

(a) To make rules, regulations, and bylaws for the administration of the Plan that are not inconsistent with the terms and provisions hereof, provided such rules, regulations, and bylaws are evidenced in writing and copies thereof are delivered to the Trustee and to the Employer and to enforce the terms of the Plan and the rules and regulations promulgated thereunder by the Committee;

(b) To construe in its discretion all terms, provisions, conditions, and limitations of the Plan, and, in all cases, the construction necessary for the Plan to qualify under the applicable provisions of the Code shall control;

(c) To correct any defect or to supply any omission or to reconcile any inconsistency that may appear in the Plan, in such manner and to such extent as it shall deem expedient in its discretion to effectuate the purposes of the Plan;

(d) To employ and compensate such accountants, attorneys, investment advisors, actuaries, and other agents and employees as the Committee may deem necessary or advisable for the proper and efficient administration of the Plan;

(e) To determine in its discretion all questions relating to eligibility;

(f) To make a determination in its discretion as to the right of any person to a benefit under the Plan and to prescribe procedures to be followed by distributees in obtaining benefits hereunder;

(g) To prepare, file, and distribute, in such manner as the Committee determines to be appropriate, such information, and material as is required by the reporting and disclosure requirements of the Act;

(h) To issue directions to the Trustee concerning all benefits that are to be paid from the Trust Fund pursuant to the provisions of the Plan; and

(i) To receive and review reports from the Trustee as to the financial condition of the Trust Fund, including its receipts and disbursements.

12.8 THIRD PARTY ADMINISTRATIVE SERVICES. Notwithstanding any provision of the Plan or the Trust Agreement to the contrary, the Board may, in its discretion, engage any individual or entity (which is not an employee or a subsidiary of the Company) to perform administrative services with respect to the Plan ("Third-Party Administrative Services"). In the

event that the Board engages any individual or entity to perform Third-Party Administrative Services, then notwithstanding any provision of the Plan to the contrary, the Board, and not the Committee, shall be fully responsible and accountable for selecting, credentialing, overseeing and monitoring each provider of Third-Party Administrative Services, including without limitation, evaluating the performance of such service provider, determining whether the fees charged are reasonable, and removing or replacing such service provider, as the Board deems to be necessary or appropriate in its discretion without any requirement to consult with the Committee (which shall have no duty or responsibility with respect to such matters under the terms and provisions of the Plan).

12.9 EMPLOYER TO SUPPLY INFORMATION. The Employer shall supply full and timely information to the Committee, including, but not limited to, information relating to each Participant's Compensation, age, retirement, death, or other cause of Severance from Service and such other pertinent facts as the Committee may require. The Employer shall advise the Trustee of such of the foregoing facts as are deemed necessary for the Trustee to carry out the Trustee's duties under the Plan. When making a determination in connection with the Plan, the Committee shall be entitled to rely upon the aforesaid information furnished by the Employer.

12.10 INDEMNIFICATION. The Company shall indemnify and hold harmless each member of the Committee and each Employee who is a delegate of the Committee against any and all expenses and liabilities arising out of his administrative functions or fiduciary responsibilities, including any expenses and liabilities that are caused by or result from an act or omission constituting the negligence of such individual in the performance of such functions or responsibilities, but excluding expenses and liabilities that are caused by or result from such individual's own gross negligence or willful misconduct. Expenses against which such individual shall be indemnified hereunder shall include, without limitation, the amounts of any settlement or judgment, costs, counsel fees, and related charges reasonably incurred in connection with a claim asserted or a proceeding brought or settlement thereof.

ARTICLE XIII

TRUSTEE AND ADMINISTRATION OF TRUST FUND

13.1 APPOINTMENT, RESIGNATION, REMOVAL, AND REPLACEMENT OF TRUSTEE. The Trustee shall be appointed, removed, and replaced by and in the sole discretion of the Board. The Trustee shall be the "named fiduciary" with respect to investment of the Trust Fund's assets. No Trustee shall be required to furnish any bond or security for the performance of its powers and duties unless the applicable law makes the furnishing of such bond or security mandatory.

13.2 TRUST AGREEMENT. As a means of administering the assets of the Plan, the Company has entered into a Trust Agreement with the Trustee. The administration of the assets of the Plan and the duties, obligations, and responsibilities of the Trustee shall be governed by the Trust Agreement. The Trust Agreement may be amended from time to time as the Company deems advisable in order to effectuate the purposes of the Plan. The Trust Agreement is incorporated herein by reference and thereby made a part of the Plan hereof.

13.3 PAYMENT OF EXPENSES. All expenses incident to the administration of the Plan and Trust, including but not limited to, actuarial, legal, accounting, premiums to the Pension Benefit Guaranty Corporation, Trustee fees, direct expenses of the Employer and the Committee in the administration of the Plan, and the cost of furnishing any bond or security required of the Committee, shall be paid by the Trustee from the Trust Fund and, until paid, shall constitute a claim against the Trust Fund which is paramount to the claims of Participants and beneficiaries; provided, however, that (a) the obligation of the Trustee to pay such expenses from the Trust Fund shall cease to exist to the extent such expenses are paid by the Employer and (b) in the event the Trustee's compensation is to be paid, pursuant to this Section, from the Trust Fund, any individual serving as Trustee who already receives full-time pay from an Employer or an association of Employers whose employees are Participants, or from an employee organization whose members are Participants, shall not receive any additional compensation for serving as Trustee. This Section shall be deemed a part of any contract to provide for expenses of Plan and Trust administration, whether or not the signatory to such contract is, as a matter of convenience, the Employer.

13.4 TRUST FUND PROPERTY.

(a) All contributions heretofore made and hereafter made under this Plan shall be paid to the Trustee and shall be held, invested, and reinvested by the Trustee. All property and funds of the Trust Fund, including income from investments and from all other sources, shall be retained for the exclusive benefit of Participants, as provided in the Plan, and shall be used to pay benefits to Participants or their beneficiaries, or to pay expenses of administration of the Plan and Trust Fund to the extent not paid by the Employer.

(b) No Participant shall have any title to any specific asset in the Trust Fund. No Participant shall have any right to, or interest in, any assets of the Trust Fund upon his Severance from Service or otherwise, except as provided from time to time under this

Plan, and then only to the extent of the benefits payable to such Participant out of the assets of the Trust Fund.

13.5 AUTHORIZATION OF BENEFIT PAYMENTS. The Committee shall issue directions to the Trustee concerning all benefits which are to be paid from the Trust Fund pursuant to the provisions of the Plan. All distributions hereunder shall be made in cash or in the form of a commercial annuity contract.

13.6 PAYMENTS SOLELY FROM TRUST FUND. All benefits payable under the Plan shall be paid or provided for solely from the Trust Fund, and neither the Employer nor the Trustee assumes any liability or responsibility for the adequacy thereof. The Committee or the Trustee may require execution and delivery of such instruments as are deemed necessary to assure proper payment of any benefits.

13.7 NO BENEFITS TO THE EMPLOYER. Except as provided in Sections 11.5 and 17.2(c), no part of the corpus or income of the Trust Fund shall be used for any purpose other than the exclusive purpose of providing benefits for the Participants and their beneficiaries and of defraying reasonable expenses of administering the Plan and Trust. Anything to the contrary herein notwithstanding, the Plan shall not be construed to vest any rights in the Employer other than those specifically given hereunder.

ARTICLE XIV

FIDUCIARY PROVISIONS

14.1 ARTICLE CONTROLS. This Article shall control over any contrary, inconsistent, or ambiguous provisions contained in the Plan.

14.2 GENERAL ALLOCATION OF FIDUCIARY DUTIES. Each fiduciary with respect to the Plan shall have only those specific powers, duties, responsibilities and obligations as are specifically given him under the Plan. The Board shall have the sole authority to appoint and remove the Trustee and members of the Committee. Except as otherwise specifically provided herein, the Committee shall have the sole responsibility for the administration of the Plan, which responsibility is specifically described herein. Except as otherwise specifically provided, the Trustee shall have the sole responsibility for the administration, investment and management of the assets held under the Plan. It is intended under the Plan that each fiduciary shall be responsible for the proper exercise of his own powers, duties, responsibilities and obligations hereunder and shall not be responsible for any act or failure to act of another fiduciary except to the extent provided by law or as specifically provided herein.

14.3 FIDUCIARY DUTY.

(a) Each fiduciary under the Plan, including but not limited to the Committee and the Trustee as "named fiduciaries," shall discharge his duties and responsibilities with respect to the Plan:

(1) Solely in the interest of the Participants, for the exclusive purpose of providing benefits to Participants, and their beneficiaries, and defraying reasonable expenses of administering the Plan and Trust;

(2) With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims;

(3) By diversifying the investments of the Plan so as to minimize the risk of large losses, unless under the circumstances it is prudent not to do so; and

(4) In accordance with the documents and instruments governing the Plan insofar as such documents and instruments are consistent with applicable law.

(b) No fiduciary shall cause the Plan or Trust Fund to enter into a "prohibited transaction" as provided in section 4975 of the Code or section 406 of the Act.

(c) No fiduciary shall permit a "prohibited payment" (as defined in section 206(e)(2) of the Act) to be made from the Plan or Trust during a period in which the Plan has a "liquidity shortfall" (as defined in section 302(e)(5) of the Act).

14.4 DELEGATION OF FIDUCIARY DUTIES. The Committee may appoint subcommittees, individuals, or any other agents as it deems advisable and may delegate to any of such appointees any or all of the powers and duties of the Committee. Such appointment and delegation must be in writing, specifying the powers or duties being delegated, and must be accepted in writing by the delegatee. Upon such appointment, delegation, and acceptance, the delegating Committee members shall have no liability for the acts or omissions of any such delegatee, as long as the delegating Committee members do not violate any fiduciary responsibility in making or continuing such delegation.

14.5 INVESTMENT MANAGER. The Committee may, in its sole discretion, appoint an "investment manager," with power to manage, acquire, or dispose of any asset of the Plan and to direct the Trustee in this regard, so long as:

(a) the investment manager is (1) registered as an investment adviser under the Investment Advisers Act of 1940, (2) not registered as an investment adviser under such act by reason of paragraph (1) of section 203A(a) of such act, is registered as an investment adviser under the laws of the state (referred to in such paragraph (1)) in which it maintains its principal office and place of business, and, at the time it last filed the registration form most recently filed by it with such state in order to maintain its registration under the laws of such state, also filed a copy of such form with the Secretary of Labor, (3) a bank, as defined in the Investment Advisers Act of 1940, or (4) an insurance company qualified to do business under the laws of more than one state; and

(b) such investment manager acknowledges in writing that he is a fiduciary with respect to the Plan.

Upon such appointment, the Committee shall not be liable for the acts of the investment manager, as long as the Committee does not violate any fiduciary responsibility in making or continuing such appointment. Notwithstanding anything to the contrary herein contained, the Trustee shall follow the directions of such investment manager and shall not be liable for the acts or omissions of such investment manager. The investment manager may be removed by the Committee at any time and within the Committee's sole discretion.

ARTICLE XV

ADOPTING EMPLOYERS

15.1 APPROVAL OF THE BOARD. It is contemplated certain of the Affiliated Companies may adopt this Plan and thereby become Employers hereunder. By appropriate action of its board of directors or noncorporate counterpart, any such Affiliated Company, whether or not presently existing, may become, upon approval of the Board, a party hereto.

15.2 SINGLE PLAN. For purposes of the Code and the Act, the Plan as adopted by the Employers shall constitute a single plan rather than a separate plan of each Employer. All assets in the Trust Fund shall be available to pay benefits to all Participants and their beneficiaries.

15.3 AMENDMENTS, TERMINATION AND APPOINTMENT OF COMMITTEE AND TRUSTEE. The power to appoint or otherwise affect the Committee or the Trustee and the power to amend the Plan and Trust Agreement or to terminate the Plan shall be exercised by the Board alone. Nevertheless, any Employer may, with the consent of the Board, incorporate in its adoption agreement or in an amendment document specific provisions relating to the operation of the Plan, and such provisions shall become a part of the Plan as to such Employer only.

15.4 TRANSFERS AMONG EMPLOYERS. Transfer of employment among Employers and Affiliated Companies shall not be considered a Severance from Service hereunder, and an Hour of Service or Service with one Employer or Affiliated Company shall be considered as an Hour of Service or Service with all other Employers and Affiliated Companies. If a Participant participates in the Plan while employed by more than one Employer or Affiliated Company (or a combination thereof), the costs of providing that portion of the benefits payable to or on behalf of such Participant shall be apportioned among the Employers and/or Affiliated Companies based upon the Creditable Service and Compensation applicable to such employment, as determined by the actuary for the Plan.

15.5 TERMINATION OF PARTICIPATION. Any Employer may, by appropriate action of its board of directors or noncorporate counterpart, terminate its participation in the Plan. Moreover, the Board may, in its discretion, terminate an Employer's Plan participation at any time. In addition, unless otherwise provided by the Board, an Employer shall terminate its participation in the Plan effective as of the date such Employer ceases to be an Affiliated Company.

15.6 SINGLE PLAN. For purposes of the Code and the Act, the Plan as adopted by the Employers shall constitute a single plan rather than a separate plan of each Employer. All assets in the Trust Fund shall be available to pay benefits to all Participants and their beneficiaries.

ARTICLE XVI

AMENDMENTS

16.1 RIGHT TO AMEND. Subject to Section 16.2 and any other limitations contained in the Act or the Code, the Board may from time to time amend, in whole or in part, any or all provisions of the Plan on behalf of all Employers. Specifically, but not by way of limitation, the Board may make any amendment necessary to acquire and maintain a qualified status for the Plan under the Code, whether or not retroactive.

16.2 LIMITATIONS ON AMENDMENTS. No amendment of the Plan may be made that would vest in the Employer, directly or indirectly, any interest in or control of the Trust Fund. No amendment shall be made that would vary the Plan's exclusive purpose of providing benefits to Participants and their beneficiaries and defraying reasonable expenses of administering the Plan or that would permit the diversion of any part of the Trust Fund from that exclusive purpose. No amendment shall be made that would reduce any then nonforfeitable interest of a Participant. No amendment shall increase the duties or responsibilities of the Trustee unless the Trustee consents thereto in writing. No amendment shall be made that will increase liabilities under the Plan for any Employer while such Employer is a debtor in bankruptcy under title 11, United States Code, or similar federal or state law if (a) such increased liabilities result from (1) any increase in benefits, (2) any change in the accrual of benefits, or (3) any change in the rate at which benefits become nonforfeitable under the Plan, with respect to Employees of such Employer, and (b) such amendment is effective prior to the effective date of such Employer's plan of reorganization.

ARTICLE XVII

TERMINATION, PARTIAL TERMINATION, AND MERGER OR CONSOLIDATION

17.1 RIGHT TO TERMINATE OR PARTIALLY TERMINATE. The Company has established the Plan with the bona fide intention and expectation that from year to year it will be able to, and will deem it advisable to, make its contributions as herein provided. However, the Company realizes that circumstances not now foreseen, or circumstances beyond its control, may make it either impossible or inadvisable for the Company to continue to make its contributions to the Plan. Therefore, the Board shall have the right and the power to terminate the Plan or partially terminate the Plan at any time hereafter. Each member of the Committee, the Trustee and all affected Participants shall be notified of such termination or partial termination.

17.2 PROCEDURE IN THE EVENT OF TERMINATION OR PARTIAL TERMINATION.

(a) If the Plan is terminated or partially terminated, the Vested Interest of each affected Participant shall be 100%, effective as of the termination date or the partial termination date, as applicable.

(b) Upon termination of the Plan, the affected assets of the Trust Fund shall be liquidated and distributed in accordance with section 4044 of the Act and the time of payment, form of payment, and consent provisions of Articles VIII and IX.

(c) Upon termination of the Plan and notwithstanding any other provisions of the Plan, after the satisfaction of all liabilities of the Plan to the affected Participants and beneficiaries, the Employer shall receive any remaining amount resulting from any variations between actual requirements and actuarially expected requirements.

(d) Upon termination of the Plan and notwithstanding any other provisions of the Plan, the Plan termination benefit of any Highly Compensated Employee, and any "highly compensated former employee," as such term is defined in section 414(q)(9) of the Code, shall be limited to a benefit that is nondiscriminatory under section 401(a)(4) of the Code and regulations promulgated thereunder.

17.3 MERGER, CONSOLIDATION, OR TRANSFER. This Plan or Trust Fund may not merge or consolidate with, or transfer its assets or liabilities to, any other plan, unless immediately thereafter each Participant would, in the event such other plan terminated, be entitled to a benefit which is equal to or greater than the benefit to which he would have been entitled if the Plan were terminated immediately before the merger, consolidation, or transfer.

ARTICLE XVIII

MISCELLANEOUS PROVISIONS

18.1 NOT CONTRACT OF EMPLOYMENT. The adoption and maintenance of the Plan shall not be deemed to be, either a contract between the Employer and any person or consideration for the employment of any person. Nothing herein contained shall be deemed to give any person the right to be retained in the employ of the Employer or to restrict the right of the Employer to discharge any person at any time nor shall the Plan be deemed to give the Employer the right to require any person to remain in the employ of the Employer or to restrict any person's right to terminate his employment at any time.

18.2 ALIENATION OF INTEREST FORBIDDEN. Except as otherwise provided with respect to "qualified domestic relations orders" and certain judgments and settlements pursuant to section 206(d) of the Act and sections 401(a)(13) and 414(p) of the Code, and except as otherwise provided under other applicable law, no right or interest of any kind in any benefit shall be transferable or assignable by any Participant or any beneficiary or be subject to anticipation, adjustment, alienation, encumbrance, garnishment, attachment, execution, or levy of any kind. Plan provisions to the contrary notwithstanding, the Committee shall comply with the terms and provisions of any "qualified domestic relations order" and shall establish appropriate procedures to effect the same; provided, however, except as required by applicable law, an alternate payee under a qualified domestic relations order shall not have a right to commence receipt of benefits payments from the Plan at a time earlier than the Participant from whose Plan benefit the assignment is made could have commenced receipt of such assigned Plan benefit.

18.3 UNIFORMED SERVICES EMPLOYMENT AND REEMPLOYMENT RIGHTS ACT REQUIREMENTS. Notwithstanding any provision of the Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with section 414(u) of the Code.

18.4 PAYMENTS TO MINORS AND INCOMPETENTS. If a Participant or beneficiary entitled to receive a benefit under the Plan is a minor or is determined by the Committee in its discretion to be incompetent or is adjudged by a court of competent jurisdiction to be legally incapable of giving valid receipt and discharge for a benefit provided under the Plan, the Committee may pay such benefit to the duly appointed guardian or conservator of such Participant or beneficiary for the account of such Participant or beneficiary. If no guardian or conservator has been appointed for such Participant or beneficiary, the Committee may pay such benefit to any third party who is determined by the Committee, in its sole discretion, to be authorized to receive such benefit for the account of such Participant or beneficiary. Such payment shall operate as a full discharge of all liabilities and obligations of the Committee, the Trustee, the Employer, and any fiduciary of the Plan with respect to such benefit.

18.5 PARTICIPANT'S AND BENEFICIARY'S ADDRESSES. It shall be the affirmative duty of each Participant to inform the Committee of, and to keep on file with the Committee, his current mailing address and the current mailing address of his designated beneficiary. If a Participant fails to keep the Committee informed of his current mailing address and the current mailing address of his designated beneficiary, neither the Committee, the Trustee, the Employer, nor any

fiduciary under the Plan shall be responsible for any late or lost payment of a benefit or for failure of any notice to be provided timely under the terms of the Plan.

18.6 NONDISCRIMINATION TESTING. For purposes of satisfying the nondiscrimination and coverage requirements of sections 401(a)(4) and 410(b) of the Code, the Company may elect, in accordance with applicable Treasury regulations, to determine the Highly Compensated Employees for the "look-back year" on the basis of the "determination year," as such terms are defined in Treasury regulation Section 1.414(q)-IT.

18.7 INCORRECT INFORMATION, FRAUD, CONCEALMENT, OR ERROR. Any contrary provisions of the Plan notwithstanding, if, because of a human or systems error, or because of incorrect information provided by or correct information failed to be provided by, fraud, misrepresentation, or concealment of any relevant fact (as determined by the Committee) by any person, the Plan enrolls any individual, pays benefits under the Plan, incurs a liability or makes any overpayment or erroneous payment, the Plan shall be entitled to recover from such person the benefit paid or the liability incurred, together with all expenses incidental to or necessary for such recovery.

18.8 SEVERABILITY. If any provision of this Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining provisions hereof. In such case, each provision shall be fully severable and the Plan shall be construed and enforced as if said illegal or invalid provision had never been included herein.

18.9 JURISDICTION. The situs of the Plan hereby created is Texas. All provisions of the Plan shall be construed in accordance with the laws of Texas except to the extent preempted by federal law.

ARTICLE XIX

TOP-HEAVY STATUS

19.1 ARTICLE CONTROLS. Any Plan provisions to the contrary notwithstanding, the provisions of this Article shall control to the extent required to cause the Plan to comply with the requirements imposed under section 416 of the Code.

19.2 DEFINITIONS. For purposes of this Article, the following terms and phrases shall have these respective meanings:

(a) ACCOUNTS: As of any Valuation Date, the aggregate amount credited to an individual's account or accounts under a qualified defined contribution plan maintained by the Company or an Affiliated Company (excluding employee contributions which were deductible within the meaning of section 219 of the Code and rollover or transfer contributions made after December 31, 1983 by or on behalf of such individual to such plan from another qualified plan sponsor by an entity other than the Company or an Affiliated Company), increased by (1) the aggregate distributions made to such individual form such plan during the five-year period ending on the Determination Date other than those made on account of his termination of employment, death or disability, (2) the aggregate distributions made to such individual from such plan during the one-year period ending on the Determination Date on account of his termination of employment, death or disability, and (3) the amount of any contributions due as of the Determination Date immediately following such Valuation Date.

(b) ACCRUED BENEFIT: As of any Valuation Date, the present value (computed on the basis of the assumptions specified in Paragraph (c) below) of the cumulative accrued benefit (excluding the portion thereof which is attributable to employee contributions which were deductible pursuant to section 219 of the Code, to rollover or transfer contributions made after December 31, 1983 by or on behalf of such individual to such plan from another qualified plan sponsored by an entity other than the Company or an Affiliated Company) of an individual under a qualified defined benefit plan maintained by the Company or an Affiliated Company increased by (1) the aggregate distributions made to such individual from such plan during the five-year period ending on the Determination Date other than those made on account of his termination of employment, death or disability, (2) the aggregate distributions made to such individual from such plan during the one-year period ending on the Determination Date on account of his termination of employment, death or disability, and (3) the estimated benefit accrued by such individual between such Valuation Date and the Determination Date immediately following such Valuation Date. Solely for the purpose of determining top-heavy status, the Accrued Benefit of an individual shall be determined under (10 the method, if any, that uniformly applies for accrual purposes under all qualified defined benefit plans maintained by the Company and the Affiliated Companies, or (2) if there is no such method, as if such benefit accrued not more rapidly than under the slowest accrual rate permitted under section 411(b)(1)(C) of the Code.

(c) AGGREGATION GROUP: The group of qualified plans maintained by the Employer and each Affiliated Company consisting of (1) each plan in which a Key Employee participates and each other plan that enables a plan in which a Key Employee participates to meet the requirements of section 401(a)(4) or 410 of the Code, or (2) each plan in which a Key Employee participates, each other plan that enables a plan in which a Key Employee participates to meet the requirements of section 401(a)(4) or 410 of the Code and any other plan that the Employer elects to include as a part of such group; provided, however, that the Employer may elect to include a plan in such group only if the group will continue to meet the requirements of sections 401(a)(4) and 410 of the Code.

(d) ANNUAL RETIREMENT BENEFIT: A benefit payable annually in the form of a single life annuity for the life of a Participant (with no ancillary benefits) beginning at his Normal Retirement Date.

(e) AVERAGE REMUNERATION FOR HIS HIGH FIVE YEARS: The result obtained by dividing the total Remuneration paid to a Participant during a considered period by the number of years for which such Remuneration was received. The considered period shall be the five consecutive Years of Service during which the Participant was both an active Participant in the Plan and had the greatest Remuneration from the Employer; provided, however, that if the Participant has less than five consecutive Years of Service, such shorter period shall be deemed his considered period.

(f) DETERMINATION DATE: For the first Plan Year of any plan, the last day of such Plan Year and for each subsequent Plan Year of such plan, the last day of the preceding Plan Year.

(g) KEY EMPLOYEE: An Employee or former Employee (including a deceased Employee) who at any time during the Plan Year is (a) an officer of any Affiliated Company having Compensation greater than $130,000.00 (as adjusted by the Secretary of Treasury from time to time for increases in the cost of living), (b) a Five Percent Owner of any Affiliated Company, treated separately, or (c) a one percent owner (within the meaning of section 416(i) of the Code) of any Affiliated Company, treated separately, having Compensation greater than $150,000.00. For this purpose no more than fifty (50) employees or, if lesser, the greater of three (3) employees or ten percent (10%) of the employees shall be treated as officers.

For purposes of determining the number of officers taken into account, the following employees shall be excluded: (1) employees who have not completed six (6) months of Vesting Service, (2) employees who normally work less than seventeen and one-half (17-1/2) hours per week, (3) employees who normally work not more than six (6) months during any year, (4) employees who have not attained the age of twenty-one (21), and (5) except to the extent provided in Regulations, employees who are included in a unit of employees covered by an agreement which the Secretary of Labor finds to be a collective bargaining agreement between employee representatives and an Affiliated Company. Section 416(i) of the Code shall be used to determine percentage of ownership.

The determination of who is a Key Employee will be made in accordance with section 416(i) of the Code and applicable Regulations.

(h) PLAN YEAR: With respect to any plan, the annual accounting period used by such plan for annual reporting purposes.

(i) REMUNERATION: Compensation within the meaning of section 415(c)(3) of the Code, as limited by section 401(a)(17) of the Code.

(j) VALUATION DATE: With respect to any Plan Year of any defined contribution plan, the most recent date within the 12-month period ending on a Determination Date as of which the trust fund established under such plan was valued and the net income (or loss) thereof allocated to participants' accounts. With respect to any Plan Year of any defined benefit plan, the most recent date within a 12-month period ending on a Determination Date as of which the plan assets were valued for purposes of computing plan costs for purposes of the requirements imposed under section 412 of the Code.

19.3 TOP-HEAVY STATUS. The Plan shall be deemed to be top-heavy for a Plan Year commencing after December 31, 1983, if, as of the Determination Date for such Plan Year, (1) the sum of Accrued Benefits of Members who are Key Employees exceeds 60% of the sum of Accrued Benefit of all Members unless an Aggregation Group including the Plan is not top-heavy or (2) an Aggregation Group including the Plan is top-heavy. An Aggregation Group shall be deemed to be top-heavy as of a Determination Date if the sum (computed in accordance with section 416(g)(2)(B) of the Code and the Treasury Regulations promulgated thereunder) of (1) the Account Balances of Key Employees under all defined contribution plans included in the Aggregation Group and (2) the Accrued Benefits of Key Employees under all defined benefit plans included in the Aggregation Group exceeds 60% of the sum of the Account Balances and the Accrued Benefits of all individuals under such plans. Notwithstanding the foregoing, the Account Balances and Accrued Benefits of individuals who are not Key Employees in any Plan Year but who were Key Employees in any prior Plan Year shall not be considered in determining the top-heavy status of the Plan for such Plan Year. Further, notwithstanding the foregoing, for purposes of determining top-heavy status for Plan Years commencing after December 31, 1984, the Account Balances and Accrued Benefits of individuals who have not performed services for the Company or any Affiliated Company at any time during the one-year period ending on the applicable Determination Date shall not be considered.

19.4 TOP-HEAVY VESTING SCHEDULE. If the Plan is determined to be top-heavy for a Plan Year, the Vested Interest of each Participant who is credited with an Hour of Service during such Plan Year shall be determined in accordance with the following schedule:

YEARS OF VESTING SERVICE	VESTED INTEREST
Less than 3 years	0%
3 years or more	100%

For purposes of this Section 19.4, Years of Vesting Service shall be determined under the rules of section 411(a)(4), (5) and (6) of the Code except that Years of Vesting Service beginning prior to January 1, 1984 and Years of Vesting Service for any Plan Year for which the Plan was not top-heavy shall be disregarded. Also, any Year of Vesting Service shall be disregarded to the extent that such Year of Vesting Service occurs during a Plan Year when the Plan benefits (within the meaning of section 410(b) of the Code) no Key Employee or former Key Employee.

19.5 TOP-HEAVY BENEFIT.

(a) If the Plan is determined to be top-heavy for a Plan Year, the retirement benefit, payable at the time and in the form provided in Article IX, of each Participant who is not a Key Employee shall in no event be less than the Actuarial Equivalent of an Annual Retirement Benefit equal to the lesser of:

(1) 2% of his Average Remuneration for His High Five Years multiplied by his Years of Service; or

(2) 20% of his Average Remuneration for His High Five Years.

(b) The minimum benefit required to be accrued for a Plan Year pursuant to this Section for a Participant shall be accrued regardless of whether such Participant has terminated his employment with the Employer prior to the end of such Plan Year.

(c) Notwithstanding the foregoing, no benefit shall be accrued pursuant to this Paragraph for a Plan Year with respect to a Participant who is a participant in another defined benefit plan sponsored by the Employer or an Affiliated Company if such Participant accrues under such defined benefit plan (for the plan year of such plan ending with or within the Plan Year of the Plan) a benefit that is at least equal to the benefit described in section 416(c)(l) of the Code.

(d) Notwithstanding the foregoing, no benefit shall be accrued pursuant to this Section for a Plan Year with respect to a Participant who is a participant in a defined contribution plan sponsored by the Employer or an Affiliated Company if such Participant receives under such defined contribution plan (for the plan year of such plan ending with or within the Plan Year of the Plan) a contribution which is equal to or greater than 5% of such Participant's Remuneration for such Plan Year. If the preceding sentence is not applicable, the requirements of this Section shall be met by providing a minimum benefit under the Plan which, when considered with the benefit provided under such defined contribution plan as an offset, is at least equal to the minimum benefit provided pursuant to this Section. For this purpose, the actuarial assumptions specified in the Plan shall be utilized to determine the value of such offset as of the applicable Determination Date.

19.6 TERMINATION OF TOP-HEAVY STATUS. If the Plan has been deemed to be top-heavy for one or more Plan Years and thereafter ceases to be top-heavy, the provisions of this Article shall cease to apply to the Plan effective as of the Determination Date on which it is deemed no

longer to be top-heavy. Notwithstanding the foregoing, the Vested Interest of each Participant as of such Determination Date shall not be reduced and, with respect to each Participant who has three or more years of Vesting Service on such Determination Date, the Vested Interest of each such Participant shall continue to be determined in accordance with the schedule set forth in Section 19.4. Further, notwithstanding the foregoing, the Accrued Benefit of a Participant shall in no event be less than the Actuarial Equivalent of the benefit determined in accordance with Section 19.5(a), if applicable, as of the last Determination Date on which the Plan was deemed to be top-heavy.

19.7 EFFECT OF ARTICLE. Notwithstanding anything contained herein to the contrary, the provisions of this Article shall automatically become inoperative and of no effect to the extent not required by the Code or the Act.

EXECUTED on the 6th day of March 2003, effective as of January 1, 2002.

TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC

By: /s/ BARRY R. PEARL

Title: President and Chief Executive Officer

EXHIBIT 10.48

FORMATION AGREEMENT

BETWEEN

PANHANDLE EASTERN PIPE LINE COMPANY

AND

MARATHON ASHLAND PETROLEUM LLC

AND

TE PRODUCTS PIPELINE COMPANY, LIMITED PARTNERSHIP

FORMATION AGREEMENT

This FORMATION AGREEMENT (this "Agreement") dated as of August 10, 2000 is made by and between Panhandle Eastern Pipe Line Company, a Delaware corporation ("PEPL"), Marathon Ashland Petroleum LLC, a Delaware limited liability company ("MAP"), and TE Products Pipeline Company, Limited Partnership, a Delaware limited partnership ("TEPPCO").

W I T N E S S

WHEREAS, March 9, 2000, PEPL, MAP and TEPPCO entered into a non-binding Memorandum of Understanding to form a limited liability company to own, construct and operate certain pipeline and related assets as a common carrier;

WHEREAS, PEPL, MAP and TEPPCO desire to set forth their agreement concerning the formation of Centennial Pipeline LLC, a Delaware limited liability company (the "Company"), the acquisition and construction of certain assets in connection with the Centennial Line and related facilities;

NOW, THEREFORE, in consideration of the premises and the mutual covenants of PEPL, MAP and TEPPCO, and upon the terms and subject to the conditions hereinafter set forth, PEPL, MAP and TEPPCO, intending to be legally bound, agree as follows:

ARTICLE I

DEFINED TERMS

1.1 DEFINED TERMS. Capitalized terms used in this Agreement shall have the meanings set forth in Exhibit A attached.

ARTICLE II

SCHEDULE OF EVENTS

2.1 ACTIONS TO DATE. On March 9, 2000, the Parties signed a non-binding Memorandum of Understanding to form a limited liability company to own, construct and operate a refined petroleum products pipeline to extend from Beaumont, Texas to Bourbon, Illinois. On March 9, 2000, PEPL, through its Affiliate, filed with the FERC for abandonment of the Trunkline 26 from natural gas service (the "Abandonment Proceedings"). On May 17, 2000, the Parties signed an agreement confirming the sharing mechanism for certain costs incurred prior to the execution of this Agreement (the "Cost Sharing Agreement").

2.2 LIMITED LIABILITY COMPANY FORMATION. On March 27, 2000, MAP formed Centennial Pipeline LLC as a single member limited liability company pursuant to the Delaware Act. Upon execution of this Agreement, the Parties agree to execute and deliver the Amended and Restated Limited Liability Company Agreement in the form attached as Schedule 2.2 (the "LLC Agreement").

2.3 FERC ABANDONMENT PROCEEDINGS. The Parties desire that the order of the FERC issued in the Abandonment Proceedings (the "Abandonment Order") become final and no longer subject to rehearing on or before June 30, 2001 (the "Order Date").

(a) If the Abandonment Order has not become final and no longer subject to rehearing by the Order Date, then any Party may terminate this Agreement. Such termination will be by written notice to the other Parties given within the five (5) Business Day period immediately following the Order Date. The failure of a Party to provide such notice will be deemed to be a waiver by such Party of the provisions of this Section 2.3(a) except as provided in Section 2.3(b).

(b) In the absence of such termination, the Order Date will automatically be extended for successive periods of two (2) months. At the end of each such extension period any Party again may terminate this Agreement as provided in Section 2.3(a).

(c) When the Abandonment Order is issued, the Parties will have twenty (20) days in which to determine whether the Abandonment Order is acceptable (such twentieth day being the

"Election Date"). For the purposes of this section, the Abandonment Order shall be deemed "acceptable" unless it may in the reasonable judgment of a Party have a material adverse effect on such Party or the Company.

(d) No later than the Election Date, each Party will provide written notice to the other Parties whether the Abandonment Order is acceptable or unacceptable to such Party. The failure of a Party to timely provide such notice will be deemed to be a notice that the Abandonment Order is acceptable to such Party.

(e) If the Abandonment Order is unacceptable to any Party, then the Parties agree to proceed in accordance with Section 2.6(b) of this Agreement.

2.4 TEPPCO'S MARKET BASED RATES. On May 11, 1999, TEPPCO filed with the FERC for the establishment of market based tariff rates for refined product movements on its mainline system (the "TEPPCO Market Based Rates"). If TEPPCO has not received an order from the FERC granting such market based rates as to all of the origin and destination points listed in Schedule 2.4 (the "Tariff Schedules") five (5) days prior to the Election Date, then TEPPCO may, no later than the Election Date, provide written notice to the other Parties of its election to terminate this Agreement. The failure of TEPPCO to timely provide such notice of termination will be deemed to be a waiver by TEPPCO of the provisions of this Section.

2.5 FINANCING ARRANGEMENTS.

(a) The Parties anticipate financing up to One Hundred Fifty Million Dollars ($150,000,000.00) of the costs for obtaining rights of way, constructing the new line segment from near Beaumont, Texas to Longville, Louisiana, converting Trunkline 26, constructing the terminal at Creal Springs, Illinois and purchasing and maintaining line fill and providing related working capital. It is expected that the financing needed to accomplish all of the foregoing (collectively, the "Construction Debt") will be in the form of loans from banks or similar institutions (the "Lenders") to be entered into as of the Formation Date. The terms for the Construction Debt must be presented by the Lenders as a firm commitment that is contingent only upon the election (or appropriate waiver) by all of the Parties under all Sections of this Article II to proceed with the transactions contemplated by this Agreement rather than to

terminate this Agreement. The Parties further expect that, on or about the Commencement Date, the Construction Debt will be converted to the Long Term Debt, pursuant to borrowings thereunder, which the Parties further expect will be non-recourse to them and their Affiliates.

(b) Upon each Party's receipt of a reasonably accurate, detailed and complete summary of terms or other related term sheet setting forth proposed terms of the Construction Debt, and all related letter or similar agreements, from each Person or group of Persons that proposes to be the Lenders of the Construction Debt (each such set of terms and agreements, a "Term Sheet"), it will promptly review each Term Sheet. If based upon a review of any Term Sheet that is not rejected by all Parties, a Party or, if applicable, one or more of its Affiliates (such Party or any such Affiliate, each an "Affected Party") determines that its compliance with one or more terms or conditions of a Term Sheet (each such Term Sheet, an "Affected Term Sheet") will result in a breach of, default under, or lien creation pursuant to, the existing terms binding on it of one or more agreements to which it is a party or otherwise bound or to which its assets are bound or subject (each an "Affected Agreement"), then it will promptly (i) notify each other Party of such circumstances and (ii) will use commercially reasonably efforts to obtain from each requisite party to an Affected Agreement such necessary modifications to such Affected Agreement (each such modification with respect to each Affected Agreement, a "Compliance Modification") which will permit it to perform the terms and conditions of each Affected Term Sheet and to comply with each agreement to which such Party or any of its Affiliates is a party or otherwise bound or to which any of its or their property is bound or subject, provided however, in no event shall commercially reasonable efforts require any Affected Party, among other things, to incur, directly or indirectly, any costs or expenses or risk or liability, or to become subject to, directly or indirectly, any restriction or limitation, which in each case it reasonably believes is material in amount, scope, restriction or nature. If at least five (5) Business Days before the Election Date an Affected Party has not received each Compliance Modification that it has requested or a firm commitment to receive each such Compliance Modification, it will so notify each other Party, and from and subsequent to the date of that notice (unless revoked by such Affected Party without prejudice to the other Parties), the terms of each Affected Term Sheet, for all purposes of this Agreement (including without limitation, Section 2.5(c) hereof), shall not constitute "terms of the Construction Debt that are commercially

reasonable for comparable transactions at such time" or words of similar import and shall constitute terms that are not in form and substance acceptable to the Affected Party.

(c) If (i) the terms of and commitment for the Construction Debt are not received by each of the Parties at least five (5) Business Days before the Election Date to enable the Parties to fully consider same, (ii) such terms are not in form and substance acceptable to each of the Parties, or (iii) the form and substance of the commitment by the Lenders are not acceptable to each of the Parties (each of the requirements of clauses (ii) and (iii) to be determined in each Party's discretion), then any of the Parties may terminate this Agreement. Notwithstanding the preceding sentence, if the terms of the Construction Debt are commercially reasonable for comparable transactions at such time, the Parties shall be bound thereby and shall not have the option to terminate this Agreement pursuant to Section 2.5(c)(ii). Any Party's approval or acquiesence to a Term Sheet under Section 2.5(b), or the authorization of Lenders to proceed with loan documentation, shall not be deemed an election or waiver of an election under this Section 2.5(c). In order to exercise the option to terminate under this Section 2.5, a Party must give notice of its exercise on or before the Election Date. The failure of any Party to timely provide such notice of termination will be deemed to be a waiver of such Party's right to terminate pursuant to this Section 2.5.

(d) In the event TEPPCO exercises the option to terminate pursuant to the provision of Section 2.5(b) and (c) as a result of the failure to obtain a satisfactory Compliance Modification, at the election of the remaining Party or Parties, as the case may be, such exercise shall not be considered as a termination of this Agreement but instead an election to withdraw. In such event, the provisions of the first sentence of Section 13.2(b) shall apply, and the obligations of TEPPCO hereunder shall be limited to one-third (1/3) of the amount of liabilities incurred by the Company through the effective date of TEPPCO's withdrawal, and the remaining Party or Parties shall indemnify TEPPCO and its Affiliates from any further costs, expenses or liabilities incurred by or on behalf of the Company. Additionally, the Parties agree to enter into, or to cause their Affiliates to enter into, as the case may be, the agreements listed below upon the execution by the other parties thereto, to be effective on and subject only to the Commencement Date occurring:

(i) Division Agreement - MAPL Delivery Points (Schedule 11.4(c))

(ii) Division Agreement - TEPPCO Delivery Points (Schedule 11.4(b))

(iii) MAP/TEPPCO T&D

(iv) TEPPCO Conveyance Documents

(v) Tie-In and Procedure Agreements (Creal Springs and Beaumont only)

(vi) Side Letter Regarding Natural Gasoline between MAP and TEPPCO

In such event, the Parties (including Centennial upon its execution of the Addendum and Joinder described in Section 14.15) agree that the following modifications shall be incorporated in the agreements discussed below:

(I) TEPPCO shall receive fair market value for the properties conveyed pursuant to the TEPPCO Conveyance Documents.

(II) The MAP/TEPPCO T&D shall be amended to provide to TEPPCO annual audit rights with respect to the satisfaction by MAP of its annual volume obligations under the MAP/Centennial T&D.

2.6 CONDITIONAL ACCEPTANCE.

(a) If each of the Parties has provided notice that the Abandonment Order is acceptable and that the terms of the Construction Debt and the commitment therefor are acceptable, and if TEPPCO has received an order granting the TEPPCO Market Based Rates, or has waived such condition, then on the Election Date, the Parties will execute a conditional acceptance in the form attached as Schedule 2.6 (the "Conditional Acceptance"). If the Parties execute such Conditional Acceptance and no Petition for Rehearing of the Abandonment Order is subsequently filed by a third party intervenor in the Abandonment Proceeding, the Conditional Acceptance will become the irrevocable agreement, subject to the terms of this Agreement, of the Parties to proceed with the remaining provisions of this Formation Agreement. If a Petition for Rehearing is filed by a third party intervenor, the Conditional Acceptance will terminate upon the filing of such Petition for Rehearing.

(b) In the event the Abandonment Order is unacceptable to a Party and as a result the Parties do not execute the Conditional Acceptance, then the Parties agree to negotiate in good faith and to use their reasonable efforts to agree upon the substance of a Petition for Rehearing. In the absence of such agreement, any of the Parties may file alone, or collectively with other Persons, a Petition for Rehearing.

(c) Following the filing of a Petition for Rehearing by one or more of the Parties or by one or more third party intervenors.

(i) If the Parties hereto do not file for rehearing, but one or more third party intervenors do, and the FERC denies such Petition(s) for Rehearing, and no third party intervenor files a timely judicial appeal of the FERC's order denying rehearing then the Conditional Acceptance previously executed by the Parties shall be reinstated and be effective as of the date of the FERC order denying rehearing. If a third party intervenor files a timely appeal of the FERC order denying rehearing and a Party hereto in its reasonable judgment determines that such FERC order may not withstand such judicial appeal, such Party may terminate this Agreement upon ten (10) days written notice after the filing of such appeal.

(ii) If one or more of the Parties hereto and/or one or more third party intervenors file Petitions for Rehearing and such petition(s) are granted, the FERC will ultimately issue an Order on Rehearing either affirming the Abandonment Order in all respects or modifying the Abandonment Order in one or more respects. From the effective date of the FERC's issuance of an Order on Rehearing (such order, whether a modification or reaffirmation of the original Abandonment Order, is herein referred as the "Modified Abandonment Order") the Parties will have twenty (20) days in which to repeat the determinations and actions set forth in Sections 2.3(c) and (d), and 2.5 with respect to the Modified Abandonment Order, including the right to terminate this Agreement pursuant to such provisions. In this regard, the twentieth day from such effective date of the issuance of the Order on Rehearing shall be the "Election Date" for such redeterminations and actions. Notwithstanding the foregoing:

(A) If none of the Parties has provided written notice, or in the absence of such notice, has been deemed to have waived its election, to terminate pursuant to Section 2.3 (d), and the Modified Abandonment Order does not change the Abandonment Order in any

material respect, the Parties shall not be entitled to a redetermination under Section 2.3 or to reassert such condition, unless a third party intervenor files a timely judicial appeal of the Modified Abandonment.

(B) If, by notice or waiver pursuant to the provisions of Section 2.5, any of the Parties have indicated that the terms and form of commitment of the Construction Debt are satisfactory in form and substance to it, and if such terms and commitment of the Construction Debt as provided by the Lenders under Section 2.5 are unchanged in all material respects, then such Parties shall not be entitled to a redetermination under Section 2.5 or to reassert such condition.

(d) If "redetermination" is permitted of (i) the Modified Abandonment Order pursuant to Section 2.3(c), or (ii) the terms of the Construction Debt or the commitment with respect thereto pursuant to Section 2.5, then any Party may elect to terminate this Formation Agreement in accordance with, and to the extent permitted by, the provisions of Section 2.3 or 2.5, as applicable, by providing to the other Parties notice of its election to terminate within five (5) days of the new Election Date established in accordance with Section 2.6(c)(ii). The failure of a Party to timely provide such notice of non-acceptance or termination will be deemed to be a waiver of such Party's right to terminate pursuant to this Section. If, following the receipt of all notices hereunder or the waiver of such conditions, all Parties have elected to proceed, the Parties shall provide written confirmation thereof to the Construction Debt Lenders.

ARTICLE III

LLC AGREEMENT

3.1 PEPL INTEREST. On the date hereof, PEPL will execute the LLC Agreement and obtain a Membership Interest in the Company that represents a thirty-three and one-third (33 1/3) Percentage Interest in the Company.

3.2 TEPPCO INTEREST. On the date hereof, TEPPCO will execute the LLC Agreement and obtain a Membership Interest in the Company that represents a thirty-three and one-third (33 1/3) Percentage Interest in the Company.

3.3 MAP INTEREST. On the date hereof, MAP will execute the LLC Agreement and retain a Membership Interest in the Company that represents a thirty-three and one-third (33 1/3) Percentage Interest in the Company.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF PEPL

PEPL hereby represents and warrants to MAP, TEPPCO and to the Company with respect to itself and, as applicable and in accordance with Section 14.5, TGC and TPH:

4.1 DUE ORGANIZATION, GOOD STANDING AND POWER. PEPL is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware with the power and authority to own, lease and operate its assets and to conduct the business now being or to be conducted by it. PEPL or its Affiliate owning and operating the Trunkline 26 is duly authorized, qualified or licensed to do business as a foreign corporation in good standing in each of the Jurisdictions. It has all requisite power and authority to enter into this Agreement and the Transaction Documents to which it is or will be a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby.

4.2 AUTHORIZATION AND VALIDITY OF AGREEMENTS. The execution and delivery by PEPL of this Agreement and the Transaction Documents to which it is or will be a party and the consummation by PEPL and/or its Affiliates of the transactions contemplated hereby and thereby have been duly authorized and approved by all necessary corporate or other action on the part of PEPL or the Affiliate. This Agreement has been duly executed and delivered by PEPL and at the Formation Date, or the Closing Date, as the case may be, each of the Transaction Documents to which PEPL is or will be a party will have been duly executed and delivered by it. Except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and general principles of equity (regardless of whether the enforceability is considered at law or in equity), this Agreement is the legal, valid and binding obligation of PEPL, in each case, enforceable against it in accordance with its terms, and each of the Transaction Documents to which PEPL is or will be a

party will be the legal, valid and binding obligation of PEPL in each case enforceable against PEPL in accordance with its terms.

4.3 LACK OF CONFLICTS. Neither the execution and delivery by PEPL of this Agreement, nor the execution and delivery by PEPL of any of the Transaction Documents to which PEPL is or will be a party, nor the consummation by it or its Affiliates of the transactions contemplated hereby and thereby does or will (i) conflict with, or result in the breach of any provision of, the charter or by-laws or similar governing or organizational documents of PEPL or such Affiliates, (ii) violate any applicable law or any permit, order, award, injunction, decree or judgment of any Governmental Authority applicable to or binding upon PEPL or such Affiliates, (iii) result in the creation of any lien upon any of the PEPL Transferred Assets or (iv) violate, conflict with or result in the breach or termination of, or otherwise give any other Person the right to terminate, or constitute a default, an event of default or an event which with notice, lapse of time or both, would constitute a default or an event of default under the terms of any material agreement or instrument to which PEPL or such Affiliates is a party.

4.4 NO CONSENTS. Other than such consents as may be required from landowners relating to the PEPL Rights of Way, and except as set forth on Schedule 4.4, no Governmental Approvals or other consents are required, or at the Formation Date or Closing Date will be required, for the execution and delivery by PEPL of this Agreement, any of the other Transaction Documents or for the consummation by its Affiliates of the transactions contemplated hereby and thereby, except where the failure to obtain such Governmental Approvals or other consents would not have a material adverse effect on the PEPL Transferred Assets, or on their ability to consummate the transactions contemplated hereby.

4.5 NO MATERIAL CHANGES. Except as set forth on Schedule 4.5, since January 1, 2000, there has not occurred with respect to the PEPL Transferred Assets (a) any Casualty or Condemnation Loss which has had or would reasonably be expected to have, individually or in the aggregate, a material adverse effect on the PEPL Transferred Assets or (b) any other event, occurrence or development which in any such case has had or would reasonably be expected to have, individually, a material adverse effect on the PEPL Transferred Assets. Except as set forth on Schedule 4.5, since January 1, 2000, PEPL and its Affiliates have operated the Trunkline 26

in the ordinary course consistent with its current practices, including without limitation, the practices with respect to pollution control equipment replacements or upgrades and off-site and on-site storage, treatment and disposal of Hazardous Substances.

4.6 REAL PROPERTY.

(a) The PEPL Rights of Way are in full force and effect in all material respects and constitute the legal, valid and binding obligations of the landowners, PEPL, or its Affiliates, that are parties thereto, enforceable against the landowners, PEPL, or its Affiliates, in accordance with their respective terms. The PEPL Rights of Way constitute a continuous right of way for the Trunkline 26 from Longville, Louisiana to Bourbon, Illinois; provided however, that PEPL does not represent or warrant that all of the PEPL Rights of Way are valid for use with a petroleum products pipeline.

(b) All utility easements, rights of access, road or railway crossings, and other easements and similar rights serving the lands underlying or abutting the Trunkline 26 are of such a character or type that they will not have or would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the Trunkline 26 or its operation.

4.7 TITLE TO THE TRUNKLINE 26. PEPL, directly or indirectly through its Affiliates, has good and valid title to all of the Trunkline 26, free and clear of all Liens except Permitted Encumbrances, and upon consummation of the transactions contemplated hereby, the Company will have good and valid title to the Trunkline 26, in each case free and clear of all Liens except Permitted Encumbrances.

4.8 PEPL PERMITS. Schedule 4.8 sets forth a list of all permits that have been issued or granted to PEPL, or any of its Affiliates, for the construction or operation of the Trunkline 26.

4.9 TAXES. There are no Liens for unpaid Taxes on any of the PEPL Transferred Assets and no claim has been made by any Governmental Authority which could give rise to any such Lien.

4.10 COMPLIANCE WITH LAWS. The PEPL Transferred Assets are being operated by PEPL or its Affiliates in compliance with all applicable laws, including Environmental Laws,

rules and regulations. Neither PEPL, nor any of its Affiliates, has received any notice from any Governmental Authority that the operations of the Trunkline 26 are being conducted in violation of any applicable law, rules or regulations, or has Knowledge of any investigation or review pending or threatened by any Governmental Authority relating to any alleged violation, which violation would have or would reasonably be expected to have, individually (including a series of related violations), or in the aggregate a material adverse effect on the Trunkline 26.

4.11 LEGAL PROCEEDINGS. Except as set forth on Schedule 4.11, there are no Claims pending or, to the Knowledge of PEPL, threatened against PEPL, or any of its Affiliates, by or before any Governmental Authority or any Third Party (i) seeking to prevent or delay the Formation, the Closing or any of the transactions contemplated by this Formation Agreement, or (ii) which would have or would reasonably be expected to have, individually (including a series of related Claims) or in the aggregate a material adverse effect on the Trunkline 26 or its operation.

4.12 SUFFICIENCY AND CONDITION OF THE PEPL TRANSFERRED ASSETS.

(a) The PEPL Transferred Assets, which do not include the PEPL Excluded Assets, constitute all property and other rights currently comprising the Trunkline 26, and that are necessary to enable the Company to operate the Trunkline 26 in substantially the same manner as it is currently being operated.

(b) The Trunkline 26 is in good operating condition and repair (ordinary wear and tear excepted). The Trunkline 26 has been maintained in a manner consistent with customary industry practice except where the failure to so maintain the Trunkline 26 would not have, and would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the Trunkline 26 or its operation.

(c) The Trunkline 26 will have a maximum allowable operating pressure ("MAOP") of at least 900 p.s.i. on the Closing Date.

(d) To the Knowledge of PEPL, the Trunkline 26 has not been derated from its MAOP at any time in the last five (5) years.

4.13 PEPL CONTRACTS. Schedule 4.13 contains a correct and complete list of all contracts (other than those comprising the PEPL Rights of Way) used or held for use primarily in or related primarily to the operation or conduct of the Trunkline 26 that are to be transferred to and assumed by the Company as of the Closing Date and to which PEPL, or any of its Affiliates, is a party or to which any of the PEPL Transferred Assets are subject (collectively, the "PEPL Contracts"). PEPL and its Affiliates have duly performed and complied with their respective obligations under the PEPL Contracts, except where the failure to so perform or comply would not have and would not reasonably be expected to have, individually, a material adverse effect on the Trunkline 26. Neither PEPL nor any of its Affiliates has received any notice of termination or default from any other party to any of the PEPL Contracts, except for such notices of termination or default which would not have or would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the Trunkline 26. To PEPL's Knowledge, no other party to any of the PEPL Contracts is in default of its obligations thereunder, except where such default would not have or would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the Trunkline 26. Each of the PEPL Contracts may be assigned to the Company without the consent of any other party thereto.

4.14 ENVIRONMENTAL MATTERS.

(a) Schedule 4.14(a) lists all the Environmental Conditions that, to the Knowledge of PEPL, exist in connection with the ownership or operation of the PEPL Transferred Assets;

(b) The PEPL Transferred Assets have been and are currently being operated in material compliance with all applicable limitations, restrictions, conditions, standards, prohibitions, requirements and obligations of Environmental Laws and related orders of any court or other Governmental Authority;

(c) There are no existing, pending, or, to the Knowledge of PEPL, threatened actions, suits, claims, investigations, inquiries or proceedings by or before any court or any other Governmental Authority directed against PEPL or any of its Affiliates in connection with the PEPL Transferred Assets, other than those that would not have a material adverse effect, that pertain or relate to (i) any remedial obligations under any applicable Environmental Law, (ii) violations by PEPL of any Environmental Law, (iii) personal injury or property damage claims

relating to a release of Hazardous Materials, or (iv) any other Environmental Liabilities relating to the storage, handling, treatment, transportation, release or disposal by PEPL or any of its Affiliates of any Hazardous Materials;

(d) To the Knowledge of PEPL, no portion of any of the PEPL Transferred Assets is listed on the National Priorities List ("NPL") or the Comprehensive Environmental Response, Compensation, and Liability Information System ("CERCLIS") list under CERCLA, or any similar ranking or listing under any state law;

(e) To the Knowledge of PEPL, no person has disposed or released any Hazardous Substances on, at, or under the PEPL Transferred Assets, except in compliance with Environmental Laws;

(f) PEPL is not aware of any Environmental Remediation Costs that are required or are planned to be expended relating to the operation of the PEPL Transferred Assets;

(g) Except as set forth on Schedule 4.14(g), to PEPL's Knowledge, no asbestos-containing materials are present at any of the PEPL Transferred Assets;

(h) There are no encumbrances in favor of any Governmental Authority on any of the PEPL Transferred Assets for (i) any liability under Environmental Laws or (ii) damages arising from or costs incurred by such Governmental Authority in response to a release of Hazardous Substances into the environment arising under or pursuant to any Environmental Laws, and PEPL is not required to place any notice or restrictions as to the presence of Hazardous Substances in the conveyance records for the PEPL Transferred Assets; and

(i) Except as would not have a material adverse effect on the PEPL Transferred Assets, no facts or circumstances exist which could reasonably be expected to result in any Environmental Liabilities to PEPL or the Company with respect to the operations of the PEPL Transferred Assets as the result of or in connection with (i) any violation by PEPL of any Environmental Law, or (ii) the storage, handling, treatment, transportation, release or disposal by PEPL or any of its Affiliates of any Hazardous Substances.

4.15 DISCLAIMER OF REPRESENTATIONS AND WARRANTIES. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT AND THE TRANSACTION DOCUMENTS (INCLUDING THE EXHIBITS, APPENDICES AND SCHEDULES HERETO AND THERETO, AND ANY CERTIFICATE FURNISHED IN CONNECTION WITH THIS AGREEMENT OR ANY TRANSACTION DOCUMENT), PEPL MAKES NO OTHER REPRESENTATIONS OR WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED. IT IS THE EXPRESS AGREEMENT OF THE PARTIES HERETO THAT, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT AND THE OTHER TRANSACTION DOCUMENTS, THE COMPANY WILL OBTAIN RIGHTS IN THE PEPL TRANSFERRED ASSETS IN THEIR PRESENT CONDITION AND STATE OF REPAIR, "AS IS" AND "WHERE IS." EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT AND THE OTHER TRANSACTION DOCUMENTS (INCLUDING THE EXHIBITS, APPENDICES AND SCHEDULES HERETO AND THERETO, AND ANY CERTIFICATE FURNISHED IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT), PEPL DISCLAIMS ALL LIABILITY AND RESPONSIBILITY FOR ANY REPRESENTATION OR WARRANTY OTHERWISE MADE OR COMMUNICATED (ORALLY OR IN WRITING) INCLUDING, BUT NOT LIMITED TO, ANY OPINION, INFORMATION OR ADVICE THAT MAY HAVE BEEN PROVIDED TO MAP OR TEPPCO BY ANY OFFICER, DIRECTOR, EMPLOYEE, AGENT, CONSULTANT OR REPRESENTATIVE OF PEPL OR ITS AFFILIATES, OR IN ANY OTHER FORM IN EXPECTATION OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF MAP

MAP hereby represents and warrants to PEPL, TEPPCO and to the Company:

5.1 DUE ORGANIZATION, GOOD STANDING AND POWER. Each of MAP and MAPL is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware. Each of MAP and MAPL is duly authorized, qualified or licensed to do business as a foreign company in good standing in the Jurisdictions (except as to Arkansas for MAPL). MAP or its Affiliates, as the case may be, have all requisite power and authority to

enter into this Agreement and the Transaction Documents to which it is or will be a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby.

5.2 AUTHORIZATION AND VALIDITY OF AGREEMENTS. The execution and delivery by MAP or its Affiliate, as the case may be, of this Agreement and the Transaction Documents to which MAP or its Affiliate is or will be a party and the consummation of the transactions contemplated hereby and thereby have been duly authorized and approved by all necessary company or other action on the part of MAP and such Affiliate. This Agreement has been duly executed and delivered by MAP, and at the Formation Date or the Closing Date, as the case may be, each of the Transaction Documents to which MAP and such Affiliate is or will be a party will have been duly executed and delivered by MAP and such Affiliate. Except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and general principles of equity (regardless of whether the enforceability is considered at law or in equity), this Agreement is the legal, valid and binding obligation of MAP, in each case, enforceable against it in accordance with its terms, and each of the Transaction Documents to which MAP or its Affiliate is or will be a party will be the legal, valid and binding obligation of MAP or such Affiliate, in each case enforceable against MAP or such Affiliate in accordance with its terms.

5.3 DUE ORGANIZATION, GOOD STANDING AND POWER OF THE COMPANY. The Company is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware. The Company is duly authorized, qualified, or licensed to do business as a foreign company in good standing in the Jurisdictions. The Company has all requisite power and authority to enter into this Agreement and the Transaction Documents to which it is or will be a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby.

5.4 AUTHORIZATION AND VALIDITY OF AGREEMENT AS TO THE COMPANY. The execution and delivery by the Company of this Agreement and the Transaction Documents to which the Company is or will be a party and the consummation of the transactions contemplated hereby and thereby have been duly authorized and approved by all necessary limited liability company

or other action on the part of the Company. Upon execution by the Company, this Agreement will have been duly executed and delivered by the Company, each of the Transaction Documents to which the Company is a party will have been duly executed and delivered by the Company. Except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and general principles of equity (regardless of whether the enforceability is considered at law or in equity), upon execution and delivery by the Company, this Agreement will be the legal, valid and binding obligation of the Company, in each case, enforceable against it in accordance with its terms, and each of the Transaction Documents to which the Company will be a party will be the legal, valid and binding obligation of the Company, in each case enforceable against the Company in accordance with its terms.

5.5 LACK OF CONFLICTS. Neither the execution and delivery by MAP or the Company of this Agreement, nor the execution and delivery by MAP or an Affiliate of MAP, including the Company, of the Transaction Documents to which it is or will be a party, nor the consummation by such Person of the transactions contemplated hereby and thereby does or will (i) conflict with, or result in the breach of any provision of, the respective limited liability company agreement or by-laws or similar governing or organizational documents of MAP or such Affiliate, including the Company, (ii) violate any applicable law or any permit, order, award, injunction, decree or judgment of any Governmental Authority applicable to or binding upon MAP or such Affiliate, including the Company, or (iii) violate, conflict with or result in the breach or termination of, or otherwise give any other Person the right to terminate, or constitute a default, an event of default or an event which with notice, lapse of time or both, would constitute a default or an event of default under the terms of, any material agreement or instrument to which MAP or such Affiliate, including the Company, is a party.

5.6 NO CONSENTS. Except as set forth on Schedule 5.6, no Governmental Approvals or other consents are required, or at the Formation Date will be required, for the execution and delivery by MAP or its Affiliate, including the Company, of this Agreement, any of the other Transaction Documents or for the consummation by such Person of the transactions contemplated hereby and thereby except where the failure to obtain such Governmental

Approvals or other consents would not have a material adverse effect on MAP's, such Affiliate's or the Company's ability to consummate the transactions contemplated hereby.

5.7 LEGAL PROCEEDINGS. Except as set forth on Schedule 5.7, there are no Claims pending or, to the Knowledge of MAP, threatened against MAP, or any of its Affiliates, including the Company, by or before any Governmental Authority or by any third party seeking to prevent or delay the Formation or the Closing or any of the transactions contemplated by this Agreement.

5.8 OPERATIONS; LIABILITIES. As of the date of this Agreement, the Company has not begun operations, and it has no assets, liabilities or obligations, contractual, contingent or otherwise.

5.9 DISCLAIMER OF REPRESENTATIONS AND WARRANTIES. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT AND THE OTHER TRANSACTION DOCUMENTS (INCLUDING THE EXHIBITS, APPENDICES AND SCHEDULES HERETO AND THERETO, AND ANY CERTIFICATE FURNISHED IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT), MAP MAKES NO OTHER REPRESENTATIONS OR WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT AND THE OTHER TRANSACTION DOCUMENTS (INCLUDING THE EXHIBITS, APPENDICES AND SCHEDULES HERETO AND THERETO, AND ANY CERTIFICATE FURNISHED IN CONNECTION WITH THIS AGREEMENT OR ANY TRANSACTION DOCUMENT), MAP DISCLAIMS ALL LIABILITY AND RESPONSIBILITY FOR ANY REPRESENTATION OR WARRANTY OTHERWISE MADE OR COMMUNICATED (ORALLY OR IN WRITING) INCLUDING, BUT NOT LIMITED TO, ANY OPINION, INFORMATION OR ADVICE THAT MAY HAVE BEEN PROVIDED TO PEPL OR TEPPCO BY ANY OFFICER, DIRECTOR, EMPLOYEE, AGENT, CONSULTANT OR REPRESENTATIVE OF MAP OR ITS AFFILIATES, OR IN ANY OTHER FORM IN EXPECTATION OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF TEPPCO

TEPPCO hereby represents and warrants to PEPL, MAP and to the Company as follows:

6.1 DUE ORGANIZATION, GOOD STANDING AND POWER. TEPPCO is a limited partnership duly organized, validly existing and in good standing under the laws of the State of Delaware. TEPPCO is duly authorized, qualified or licensed to do business as a foreign partnership in good standing in the Jurisdictions other than Tennessee and Mississippi. TEPPCO has all requisite power and authority to enter into this Agreement, the Transaction Documents to which it is or will be a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby.

6.2 AUTHORIZATION AND VALIDITY OF AGREEMENTS. The execution and delivery by TEPPCO of this Agreement and the Transaction Documents to which TEPPCO is or will be a party and the consummation of the transactions contemplated hereby and thereby have been duly authorized and approved by all necessary partnership or other action on the part of TEPPCO. This Agreement has been duly executed and delivered by TEPPCO, and at the Formation Date, or the Closing Date, as the case may be, each of the Transaction Documents to which TEPPCO is or will be a party will have been duly executed and delivered by TEPPCO. Except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and general principles of equity (regardless of whether the enforceability is considered at law or in equity), this Agreement is the legal, valid and binding obligation of TEPPCO, in each case, enforceable against it in accordance with its terms, and each of the Transaction Documents to which TEPPCO is or will be a party will be the legal, valid and binding obligation of TEPPCO, in each case enforceable against TEPPCO in accordance with its terms.

6.3 LACK OF CONFLICTS. Neither the execution and delivery by TEPPCO of this Agreement, nor the execution and delivery by TEPPCO of the Transaction Documents to which TEPPCO is or will be a party, nor the consummation by it of the transactions contemplated hereby and thereby does or will (i) conflict with, or result in the breach of any provision of, the Agreement of Limited Partnership of TEPPCO, (ii) violate any applicable law or any permit,

order, award, injunction, decree or judgment of any Governmental Authority applicable to or binding upon TEPPCO, or (iii) violate, conflict with or result in the breach or termination of, or otherwise give any other Person the right to terminate, or constitute a default, an event of default or an event which with notice, lapse of time or both, would constitute a default or an event of default under the terms of, any material agreement or instrument to which TEPPCO is a party.

6.4 NO CONSENTS. Except as set forth on Schedule 6.4, no Governmental Approvals or other consents are required, or at the Formation Date or Closing Date will be required, for the execution and delivery by TEPPCO of this Agreement, any of the other Transaction Documents or for the consummation by it of the transactions contemplated hereby and thereby except where the failure to obtain such Governmental Approvals or other consents would not have a material adverse effect on TEPPCO's ability to consummate the transactions contemplated hereby.

6.5 NO MATERIAL CHANGES. Except as set forth on Schedule 6.5, since January 1, 2000, there has not occurred with respect to the TEPPCO Property Contribution (a) any Casualty or Condemnation Loss which has had or would reasonably be expected to have, individually or in the aggregate, a material adverse effect on the TEPPCO Property Contribution or (b) any other event, occurrence or development which in any such case has had or would reasonably be expected to have, individually, a material adverse effect on the TEPPCO Property Contribution.

6.6 REAL PROPERTY.

(a) As to the owned portion of the Creal Springs Property, TEPPCO has good and indefeasible title in fee simple subject only to Permitted Encumbrances. To the portion of the Creal Springs Property that is under option to TEPPCO, such option (i) is exercisable at any time on or before the Formation Date; (ii) has no conditions to its exercise incumbent upon TEPPCO other than the giving of notice; and (iii) when exercised and the sale thereunder is closed will vest in the purchaser good and indefeasible title in fee simple subject only to Permitted Encumbrances.

(b) Except as therein otherwise provided, (i) the Beaumont Pipeline Easement, (ii) the Beaumont Pump Station, Electrical Substation and Electrical Facilities Easement and (iii) the

Jefferson County Pipeline Easement, will give the Company uninterrupted and continuous use of the facilities located thereon for the entire period of the operation of the Centennial Line.

(c) All utility easements, rights of access, road or railway crossings, and other easements and similar rights serving the lands constituting the TEPPCO Property Contribution are of such a character or type that they will not have or would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the Centennial Line or its operation.

6.7 TEPPCO PERMITS. Schedule 6.7 sets forth a list of all permits that have been issued or granted to TEPPCO, or any of its Affiliates, that may be reasonable or necessary for the construction or operation of the Centennial Line.

6.8 TAXES. There are no Liens for unpaid Taxes on any of the TEPPCO Property Contributions, and no claim has been made by any Governmental Authority which could give rise to any such Lien.

6.9 COMPLIANCE WITH LAWS. The TEPPCO Property Contribution is being owned and maintained by TEPPCO, or its Affiliates, in compliance with all applicable laws, including Environmental Laws, rules and regulations. Neither TEPPCO, nor any of its Affiliates, has received any notice from any Governmental Authority that the TEPPCO Property Contribution is being owned or maintained in violation of any applicable law, rules or regulations, or has Knowledge of any investigation or review pending or threatened by any Governmental Authority relating to any alleged violation, which violation would have or would reasonably be expected to have, individually (including a series of related violations), or in the aggregate a material adverse effect on the TEPPCO Property Contribution.

6.10 LEGAL PROCEEDINGS. Except as set forth on Schedule 6.10, there are no Claims pending or, to the Knowledge of TEPPCO, threatened against TEPPCO or any of its Affiliates by or before any Governmental Authority or by any third party seeking to prevent or delay the Formation or the Closing or any of the transactions contemplated by this Agreement.

6.11 ENVIRONMENTAL MATTERS.

(a) Schedule 6.11 lists all the Environmental Conditions that, to the Knowledge of TEPPCO, exist with respect to the Creal Springs Property;

(b) There are no existing, pending, or, to the Knowledge of TEPPCO, threatened actions, suits, claims, investigations, inquiries or proceedings by or before any court or any other Governmental Authority directed against TEPPCO in connection with the Creal Springs Property, other than those that would not have a material adverse effect, that pertain or relate to (i) any remedial obligations under any applicable Environmental Law, (ii) violations by TEPPCO of any Environmental Law, (iii) personal injury or property damage claims relating to a release of Hazardous Materials, or (iv) any other Environmental Liabilities relating to the storage, handling, treatment, transportation, release or disposal by TEPPCO of any Hazardous Materials;

(c) To the Knowledge of TEPPCO, no portion of the Creal Springs Property is listed on the National Priorities List ("NPL") or the Comprehensive Environmental Response, Compensation, and Liability Information System ("CERCLIS") list under CERCLA, or any similar ranking or listing under any state law;

(d) To the Knowledge of TEPPCO, no person has disposed or released any Hazardous Substances on, at, or under the Creal Springs Property, except in compliance with Environmental Laws, or except as would not have a material adverse effect;

(e) TEPPCO has no Knowledge of any Environmental Remediation Costs that are required or are planned to be expended relating to the operation of the Creal Springs Property;

(f) There are no encumbrances in favor of any Governmental Authority on the Creal Springs Property for (i) any liability under Environmental Laws or (ii) damages arising from or costs incurred by such Governmental Authority in response to a release of Hazardous Substances into the environment arising under or pursuant to any Environmental Laws, and TEPPCO is not required to place any notice or restrictions to the presence of Hazardous Substances in the deed records for the Creal Springs Property; and

(g) Except as would not have a material adverse effect on the Creal Springs Property, no facts or circumstances exist which could reasonably be expected to result in any Environmental Liabilities to TEPPCO or the Company with respect to the operations of the Creal Springs Property as the result of or connection with (i) any violation by TEPPCO of any Environmental Law, or (ii) the storage, handling, treatment, transportation, release or disposal by TEPPCO of any Hazardous Substances.

6.12 DISCLAIMER OF REPRESENTATIONS AND WARRANTIES. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT AND THE OTHER TRANSACTION DOCUMENTS (INCLUDING THE EXHIBITS, APPENDICES AND SCHEDULES HERETO AND THERETO, AND ANY CERTIFICATE FURNISHED IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT), TEPPCO MAKES NO OTHER REPRESENTATIONS OR WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED. IT IS THE EXPRESS AGREEMENT OF THE PARTIES HERETO THAT, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT AND THE OTHER TRANSACTION DOCUMENTS, THE COMPANY WILL OBTAIN RIGHTS IN THE TEPPCO PROPERTY CONTRIBUTION IN THEIR PRESENT CONDITION AND STATE OF REPAIR, "AS IS" AND "WHERE IS." EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT AND THE OTHER TRANSACTION DOCUMENTS (INCLUDING THE EXHIBITS, APPENDICES AND SCHEDULES HERETO AND THERETO, AND ANY CERTIFICATE FURNISHED IN CONNECTION WITH THIS AGREEMENT OR ANY TRANSACTION DOCUMENT), TEPPCO DISCLAIMS ALL LIABILITY AND RESPONSIBILITY FOR ANY REPRESENTATION OR WARRANTY OTHERWISE MADE OR COMMUNICATED (ORALLY OR IN WRITING) INCLUDING, BUT NOT LIMITED TO, ANY OPINION, INFORMATION OR ADVICE THAT MAY HAVE BEEN PROVIDED TO MAP OR PEPL BY ANY OFFICER, DIRECTOR, EMPLOYEE, AGENT, CONSULTANT OR REPRESENTATIVE OF TEPPCO OR ITS AFFILIATES, OR IN ANY OTHER FORM IN EXPECTATION OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT.

ARTICLE VII

COVENANTS PRIOR TO THE CLOSING DATE

PEPL, MAP and TEPPCO agree that during the period between the date of this Agreement and the Closing Date:

7.1 OPERATION OF THE TRUNKLINE 26.

(a) Except as expressly provided otherwise in this Agreement (i) PEPL will at its expense operate (or will cause its Affiliates to operate) the Trunkline 26 in the ordinary course consistent with its current practice and customary industry standards and in accordance with applicable laws and regulations (including with respect to off-site and on-site storage, treatment and disposal of Hazardous Substances) and (ii) will use commercially reasonable efforts (or cause its Affiliates to use commercially reasonable efforts) to maintain the PEPL Transferred Assets in substantially the same condition (except normal wear and tear) existing on the date hereof. For the avoidance of doubt, the following criteria will be considered as acceptable for application to the Trunkline 26 under this Section.

(A) Cathodic protection of the Trunkline 26 by PEPL will be maintained in accordance with NACE RP0169-96. Such criteria will be applied in accordance with NACE TM0497-97. PEPL will utilize a cathodic protection program such that on the Closing Date the Trunkline 26 will meet the criteria set forth in those publications.

(B) For other types of pipeline integrity issues, PEPL will apply DOT regulations and customary industry standards including, without limitation, the regular use of appropriate monitoring standards for casings.

(b) PEPL will not take, and will cause its Affiliates not to take, any of the following actions:

(i) The sale, transfer, pledge or other disposition of any portion of the Trunkline 26 except for the sale, transfer or other disposition of uneconomic or obsolete equipment in the ordinary course of business consistent with its past practice;

(ii) Except in the ordinary course of business consistent with its past practice, enter into, materially modify, amend or terminate, or waive any material rights under, any contract which comprises any portion of the PEPL Rights of Way or other contractual arrangements for the ownership or operation of the Trunkline 26;

(iii) Mortgage, pledge or subject to any Lien any of the PEPL Transferred Assets;

(iv) Settle or agree to settle any litigation or other legal proceeding for other than the payment of money by PEPL, or its Affiliates, relating to the PEPL Transferred Assets;

(v) Agree to do any of the foregoing.

(c) Within a reasonable time of learning of any material change to the PEPL Transferred Assets or any Environmental Condition or violation of Environmental Laws in connection with the Trunkline 26, PEPL will provide MAP and TEPPCO with written notice thereof.

For the avoidance of doubt, none of the covenants set forth in this Section 7.1 are intended to or shall impose any restriction on the operations of PEPL or its Affiliates' activities that are not related to the PEPL Transferred Assets.

7.2 MAINTENANCE OF THE TEPPCO PROPERTY CONTRIBUTION.

(a) Except as expressly provided otherwise in this Agreement, TEPPCO will use commercially reasonable efforts to (i) maintain the owned portion of the Creal Springs Property in its current condition; (ii) keep the owned portion of the Creal Springs Property free from any Liens, and (iii) observe and comply in a timely fashion with all terms and conditions of any option to purchase or similar agreement with respect to the non-owned portion of the Creal Springs Property.

(b) TEPPCO will not take, and will cause its Affiliates not to take, any of the following actions:

(i) The sale, transfer, mortgage, pledge or other disposition or subject to any Lien of any portion of the TEPPCO Property Contribution;

(ii) Enter into, materially modify, amend or terminate, or waive any material rights under, any contract which comprises any portion of the rights of way, easements, licenses, permits or other contractual arrangements for the ownership of the TEPPCO Property Contribution;

(iii) Settle or agree to settle any litigation or other legal proceeding for other than the payment of money by TEPPCO, or its Affiliates, relating to the TEPPCO Property Contribution;

(iv) Agree to do any of the foregoing.

(c) Within a reasonable time of learning of any material change to the TEPPCO Property Contribution or any Environmental Condition or violation of Environmental Laws in connection with the TEPPCO Property Contribution, TEPPCO will provide MAP and PEPL with written notice thereof.

7.3 COMMERCIALLY REASONABLE EFFORTS. Subject to the rights of the Parties hereunder, each Party will use commercially reasonable efforts to take all actions and to do all things necessary in order to consummate the transactions contemplated by this Agreement (including satisfaction, but not waiver, of the conditions set forth in Articles VIII and IX, as applicable). Except with the prior written consent of the other Parties, each Party shall use commercially reasonable efforts to refrain from doing or omitting to do any act that would cause any of its representations or warranties made in this Agreement or any other Transaction Document not to be true and correct as of the date when made; provided, however, that nothing in this Section shall be deemed for any purpose to require any Party to refrain from taking or omitting to take any action necessary to comply with applicable law.

7.4 NOTICE. After obtaining Knowledge thereof, each Party shall give notice to the other Parties of (i) the occurrence of any Casualty or Condemnation Loss or Claim, filed, threatened or contemplated litigation or other event, occurrence or development which would have or would reasonably be expected to have, individually (including a series of related claims,

litigation, casualty or condemnation losses or other events, occurrences or developments), or in the aggregate a material adverse effect on the PEPL Transferred Assets or on the TEPPCO Property Contribution, or (ii) any occurrence or development that would result in such Party's or its Affiliates' representations and warranties set forth in this Agreement or in any other Transaction Document not being true and correct if they were made at any time prior to or as of the Formation Date or impair in any material respect such Party's or its Affiliates' ability to perform its respective obligations under this Agreement or any other Transaction Document in any material respect.

7.5 CONSENTS. The Parties will identify and cooperate with each other concerning the making of any filings with Governmental Authorities and the obtaining of any Governmental Approvals and consents of third parties required in order to consummate the transactions contemplated hereby.

7.6 ACCESS TO ENVIRONMENTAL RECORDS; TESTING.

(a) From the date hereof until the Closing, or earlier termination of this Agreement, TEPPCO, MAP and the Company shall have access to all of PEPL's environmental books, records, studies and reports relative to the PEPL Transferred Assets. In addition, upon reasonable notice to PEPL, MAP, TEPPCO and the Company may physically inspect and sample any and all portions of the Trunkline 26 and the PEPL Rights of Way.

(b) A in-line inspection and survey in accordance with appropriate API standards will be conducted on the approximately 30 mile long portion of the Trunkline 26 from Independence Station (valve 84) to the end of valve section 86 (upstream of gate valve 87), including valve sections 84, 85 and 86, prior to September 1, 2000, with the interpretation of the results of such test to be provided as soon as practical thereafter, and if necessary as determined by the Board of Managers of the Company, a hydrotest in accordance with appropriate API standards and U.S. DOT Regulations will be conducted on the valve section immediately downstream of the Shaw compressor station. The scheduling of such hydrotest shall be determined following consultation with PEPL so as to give due regard to mitigating any reduction in gas transportation on the Trunkline 26 during such test; provided in no event shall such test be conducted after November 1, 2000. The cost of both the in-line inspection and survey and the hydrotest shall be

borne by the Company. Repairs or replacements resulting from the in-line procedure that are required by applicable laws and regulations, if any, shall be for the account of PEPL, and those resulting from the hydrotest, if any, shall be for the account of the Company.

(c) In addition, the Parties agree that a hydrotest in accordance with appropriate API standards and U.S. DOT Regulations will be conducted on the entire length of the Centennial Line, South of Effingham, Illinois prior to the Commencement Date, the cost of which shall be borne by the Company.

7.7 ACCESS TO OTHER RECORDS. From the date hereof until the Closing, or earlier termination of this Agreement, each Party shall afford to the other Parties reasonable access to its offices, properties, books and records that relate to the transactions contemplated by this Agreement for the purpose of completing the transactions contemplated herein, provided that such investigations shall not unreasonably interfere with the operations of the Parties. All documents and material furnished to any Party shall be treated as confidential for the period of and in accordance with the provisions of the Confidentiality Agreement.

7.8 INTERIM EXPENSES.

(a) Schedule 7.8(a) is a budget (the "Interim Budget") (including those expenses incurred to date pursuant to the Cost Sharing Agreement) contemplating the expenditure of up to Fourteen Million Two Hundred Fifty Thousand Dollars ($14,250,000.00) prior to November 1, 2000 by the Company or the Parties on behalf of the Company. Changes to this Interim Budget may be made from time to time (but prior to the Formation Date) only with the consent of all of the Parties. The Company may, on no more than a monthly basis and upon ten (10) days notice, issue a cash call to the Members for the current portion of such expenditures. Any expenses incurred beyond the amounts set forth in the Interim Budget, as it may be amended from time to time, will be solely those of the Party authorizing or incurring such expenditures and will not be charged to the Company or reimbursed by the other Parties. The Interim Budget delineates what expenses will be borne equally by all Parties in the event this Agreement is terminated for any reason. Effective with the execution of this Agreement, the authority to incur costs under the Cost Sharing Agreement is terminated.

(b) In addition, the Parties wish to delineate, in all circumstances, what costs will be borne by the Parties individually, what costs will be borne by the Company and what costs will be shared equally by the Parties whether or not they elect to proceed after the Formation Date. Subject to Section 7.8(a), each Party shall share equally all costs and expenses (i) listed on Schedule 7.8(b), (ii) incurred pursuant to (A) the agreements listed on such Schedule or (B) any other agreements, expenditures and commitments approved as provided in accordance with the LLC Agreement or Section 7.9(b) of this Agreement, or (iii) of the type described in Schedule 7.8(b) (collectively, the "Reimbursable Costs"). Schedule 7.8(b) also contains a listing of expenses to be paid by the Parties individually and not to be reimbursed by the Company or the other Parties and will not be considered Reimbursable Costs even though such costs and expenses may relate to or have been incurred in connection with Reimbursable Costs.

(c) Promptly following the Formation Date and assuming the Construction Debt has been entered into by the Company, upon the first draw under the Construction Debt, there will be a settlement of all expenditures incurred under the Interim Budget which shall include all Reimbursable Costs. Such settlement will consist of non pro-rata distributions from the Company to those Parties who have advanced funds under the Interim Budget (deemed capital contributions under Section 4.01 of the LLC Agreement) in such amounts as will reduce such Party's expenditure to zero dollars ($0.00) and repay their capital contributions.

(d) In the event this Agreement is terminated prior to the Formation Date pursuant to Article XIII, as soon as practical, but in no event later than forty-five (45) Business Days following the date of such termination, each of the Parties and the Company shall render to the other Parties a statement setting forth all expenditures incurred by such Party under the Interim Budget, including all Reimbursable Costs, that have been (i) incurred or (ii) committed to (and that are still payable) by it, including without limitation, any and all termination or severance fees and costs reasonably incurred or to be incurred to terminate any ongoing agreements or commitments. In the event of such termination, each Party agrees to use all commercially reasonable efforts to minimize all costs, including any termination or severance fees and costs should such become necessary. Within fifteen (15) Business Days following the date of the last of such statements, the Parties shall make such payments and adjustments consisting of non pro-rata contributions to the Company and non pro-rata distributions from the Company, as

necessary, to those Parties who have advanced funds under the Interim Budget (deemed capital contributions under Section 4.01 of the LLC Agreement) in such amounts as will repay their capital contributions so that all such costs and expenditures are shared equally.

(e) In the event any Party realizes, directly or indirectly, any payment or other consideration (collectively, and after deducting all related out-of-pocket costs reasonably incurred, the "Proceeds") from the sale or other disposition of any rights, assets or other properties that were acquired by such Party through the expenditure of Reimbursable Costs or other Interim Budget expenditures, such Proceeds shall be shared with each of the other Parties in proportion to the amount of all such costs and expenditures paid by such Party. The Party receiving the Proceeds shall distribute the appropriate amount of the Proceeds to the other Parties within fifteen (15) Business Days of receipt, together with an accounting of all related costs, if any, deducted from such amounts, and a statement showing the calculation of each Parties' proportionate share. Each Party shall have the right of set-off against Proceeds owed to another Party for all Reimbursable Costs and other Interim Budget expenditures owed by such other Party.

7.9 VENTURE MANAGEMENT.

(a) The operation of the Company and the Centennial Line will be pursuant to the LLC Agreement. To facilitate that management and to reach the Commencement Date in a cost efficient and timely manner, the Parties have adopted a team management structure. Under this structure, each Party will provide the services of various of its employees on a full-time or part-time basis. The services of employees provided to the Company on a full-time basis will be governed by an agreement between the Company and the Party, or one of its Affiliates furnishing such employee (the "Secondee Administration Agreement"). The form of the Secondee Administration Agreement is attached as Schedule 7.9. Employees of the Parties who provide services of a type that are reimbursable under the Interim Budget, but that are provided on a part-time basis, will be charged to the Company on an pro-rata basis (using monthly estimates of the percentage of a full time equivalent expended on behalf of the Company) plus reimbursement of permitted expenses incurred in performance of such work. Provided, however, that to the extent that such employees (not including seconded employees) are providing services through a

Company committee on which there is equal representation from each Party, there will be no charge back of such time or expenses to the Company.

(b) The Executive Committee shall appoint a project director to oversee the activities on the Centennial Line (the "Project Director"). Among other duties and authorities as may be given by the Executive Committee, the Project Director shall be authorized to approve any agreement, expenditure or commitment during the effectiveness of the Interim Budget that does not exceed Three Million Dollars ($3,000,000.00), and is provided for in the Interim Budget, and upon such approval, the costs incurred pursuant to such agreements, expenditures or commitments shall be Reimbursable Costs. Additionally, the terms and provisions of all agreements to be included as a Reimbursable Cost shall be approved by the Project Director or his designee.

7.10 PROJECT EXPENDITURES.

(a) The Company will provide periodic reports and budget updates on a monthly basis. If at any time prior to the Formation Date, the actual plus the projected costs for the Centennial Project as set forth in the Company's budget for all pre-Commencement Date costs, including, without limitation, any repairs necessitated by the in-line inspection and survey or the hydrotest described in Section 7.6(b), or the acquisition of the rights-of-way for the Beaumont, Texas to Longville, Louisiana line segment, exceed Two Hundred Fifty Million Dollars ($250,000,000), excluding any costs expressly assumed by one or more of the Parties pursuant to this Agreement, any Party may terminate this Agreement upon written notice to the other Parties given within ten (10) days of receipt of such actual and projected cost information from the Company. The failure of any Party to timely provide such notice of termination will be deemed a waiver of such Party's right to terminate pursuant to this Section.

(b) If prior to the Commencement Date, the actual plus projected costs as set forth in the Company's budget for all pre-Commencement Date costs related to the hydrotest described in Section 7.6(c) and any repairs to or replacements of portions of the Trunkline 26 related thereto or resulting therefrom, exceeds Sixty Million Dollars ($60,000,000), excluding any costs expressly assumed by one or more of the Parties pursuant to this Agreement, any Party may, upon written notice to the other Parties given within ten (10) days of receipt of such cost

information from the Company, terminate this Agreement if such notice is effective before the Formation Date, or withdraw from this Agreement if such notice is effective after the Formation Date. The failure of any Party to timely provide such notice of termination or withdrawal, as the case may be, will be deemed a waiver of such Party's right to terminate or withdraw pursuant to this Section.

(c) If, after the occurrence of a cost increase projection as described in Section 7.10(a) or Section 7.10(b), no Party has elected to terminate this Agreement, and a new budget of actual and projected costs from the Company shows an increase of at least Fifteen Million Dollars ($15,000,000) from such previous amounts, then each Party will be entitled to a new election, upon written notice to the other Parties given within ten (10) days of receipt of such cost information from the Company, to terminate or withdraw from (as the case may be) this Agreement pursuant to Section 7.10(a) or Section 7.10(b). The failure of any Party to timely provide such notice of termination or withdrawal, as the case may be, will be deemed a waiver of such Party's right to terminate or withdraw pursuant to this Section. This renewal of the election will be recurring for each subsequent Fifteen Million Dollar ($15,000,000) increase. The Parties recognize and agree that any new option to terminate pursuant to Section 7.10(b) may only occur prior to the Formation Date.

(d) The termination provisions of Section 7.10(a), Section 7.10(b) and Section 7.10(c) shall not be applicable in the event that the excess costs are the result of one or more changes in the scope of the project beyond the scope of work shown on Schedule 7.10(d).

ARTICLE VIII

CONDITIONS PRECEDENT TO FORMATION

8.1 CONDITIONS PRECEDENT TO MAP OBLIGATIONS. The obligations of MAP to consummate the transactions contemplated hereby and by the Transaction Documents to be consummated on the Formation Date, shall be subject to the fulfillment on or prior to the Formation Date of the following conditions, which conditions may be waived, in whole or in part, in the sole discretion of MAP (but only in writing):

(a) The representations and warranties made by PEPL and TEPPCO in this Agreement, and the other Transaction Documents shall be true and correct in all material respects, as made on the date hereof (in the case of this Agreement) and as of the time of the Formation Date (in the case of this Agreement and the other Transaction Documents) as though made as of such time, and PEPL and TEPPCO each shall have performed and complied in all material respects with all of its obligations under this Agreement, and the other Transaction Documents which are to be performed or complied with by it at or prior to the Formation Date, and MAP shall have received certificates to such effect signed by an executive officer of PEPL and TEPPCO;

(b) Since the date hereof, there shall not have been, nor, to the Knowledge of PEPL, or its Affiliates, or TEPPCO, as the case may be, shall there have been threatened, any Casualty or Condemnation Loss or other event, occurrence or development with respect to any PEPL Transferred Asset or to the TEPPCO Property Contribution which has had or would reasonably be expected to have, individually or in the aggregate, a material adverse effect on the Company's business, and MAP shall have received a certificate to such effect signed by an executive officer of PEPL or TEPPCO as the case may be;

(c) Receipt of the issuance of such Governmental Approvals and other consents, as are in each case set forth on Schedule 8.1(c); provided that none of such Governmental Approvals or consents set forth on such Schedule 8.1(c) shall impose obligations that would result in a material adverse effect upon MAP's or the Company's business;

(d) As of the Formation Date, there shall be no injunction or restraining order of any nature issued by any Governmental Authority or any pending suit by any Governmental Authority or other third party, or, to the Knowledge of MAP, threatened suit by any Governmental Authority which seeks or has the effect of seeking or which directs, or has the effect of directing, that the Formation shall not be consummated as herein provided;

(e) PEPL and TEPPCO each shall have executed and delivered all of the Transaction Documents to which either is a party, and shall have otherwise executed and delivered all of the items set forth in Section 9.3(b) and Section 9.3(c); and

(f) The Company shall have executed and delivered all of the Transaction Documents to which it is a party, and shall otherwise have executed and delivered the items set forth in Section 9.3(d) and Section 9.4.

8.2 CONDITIONS PRECEDENT TO PEPL'S OBLIGATIONS. The obligations of PEPL to consummate the transactions contemplated hereby and by the other Transaction Documents to be consummated on the Formation Date, shall be subject to the fulfillment on or prior to the Formation Date of the following conditions, which conditions may be waived, in whole or in part, in the sole discretion of PEPL (but only in writing):

(a) The representations and warranties made by MAP and TEPPCO in this Agreement, and the other Transaction Documents shall be true and correct in all material respects, as made on the date hereof (in the case of this Agreement) and as of the time of the Formation Date (in the case of this Agreement and the other Transaction Documents) as though made as of such time, and MAP and TEPPCO each shall have performed and complied in all material respects with all of its obligations under this Agreement, and the other Transaction Documents which are to be performed or complied with by it at or prior to the Formation Date, and PEPL shall have received certificates to such effect signed by an executive officer of MAP and TEPPCO;

(b) Since the date hereof, there shall not have been, nor, to the Knowledge of TEPPCO, shall there have been threatened, any Casualty or Condemnation Loss or other event, occurrence or development with respect to the TEPPCO Property Contribution which has had or would reasonably be expected to have, individually or in the aggregate, a material adverse effect on the Company's business, and PEPL shall have received a certificate to such effect signed by an executive officer of TEPPCO;

(c) Receipt of the issuance, consent to assignment or amendment or modification of the PEPL Contracts and PEPL Permits and such Governmental Approvals and other consents, as are in each case set forth on Schedule 8.2(c); provided that none of such Governmental Approvals or consents set forth on such Schedule 8.2(c) shall impose obligations that would result in a material adverse effect upon PEPL's or the Company's business;

(d) As of the Formation Date, there shall be no injunction or restraining order of any nature issued by any Governmental Authority or any pending suit by any Governmental or other third party or, to the Knowledge of PEPL, threatened suit by any Governmental Authority which seeks or has the effect of seeking or which directs, or has the effect of directing, that the Formation shall not be consummated as herein provided;

(e) MAP and TEPPCO each shall have executed and delivered all the Transaction Documents to which they are to be a party and shall otherwise have executed and delivered the items set forth in Section 9.3(a) and Section 9.3(c);

(f) The Company shall have executed and delivered all of the Transaction Documents to which it is a party and shall otherwise have executed and delivered the items set forth in Section 9.3(d);

8.3 CONDITIONS PRECEDENT TO TEPPCO'S OBLIGATIONS. The obligations of TEPPCO to consummate the transactions contemplated hereby and by the Transaction Documents to be consummated on the Formation Date, shall be subject to the fulfillment on or prior to the Formation Date of the following conditions, which conditions may be waived, in whole or in part, in the sole discretion of TEPPCO (but only in writing):

(a) The representations and warranties made by MAP and PEPL in this Agreement, and the other Transaction Documents shall be true and correct in all material respects, as made on the date hereof (in the case of this Agreement) and as of the time of the Formation Date (in the case of this Agreement and the other Transaction Documents) as though made as of such time, and MAP and PEPL each shall have performed and complied in all material respects with all of its obligations under this Agreement, and the other Transaction Documents which are to be performed or complied with by it at or prior to the Formation Date, and TEPPCO shall have received a certificate to such effect signed by an executive officer of MAP and PEPL;

(b) Since the date hereof, there shall not have been, nor, to the Knowledge of PEPL, or its Affiliates, shall there have been threatened, any Casualty or Condemnation Loss or other event, occurrence or development with respect to any PEPL Transferred Asset which has had or would reasonably be expected to have, individually or in the aggregate, a material adverse effect

on the Company's business, and TEPPCO shall have received certificates to such effect signed by an executive officer of PEPL;

(c) Receipt of the issuance of such Governmental Approvals and other consents, as are in each case set forth on Schedule 8.3(c); provided that none of such Governmental Approvals or consents set forth on such Schedule 8.3(c) shall impose obligations that would result in a material adverse effect upon TEPPCO's or the Company's business;

(d) As of the Formation Date, there shall be no injunction or restraining order of any nature issued by any Governmental Authority or any pending suit by any governmental Authority or other third party or, to the Knowledge of TEPPCO, threatened suit by any Governmental Authority which seeks or has the effect of seeking or which directs, or has the effect of directing, that the Formation shall not be consummated as herein provided;

(e) MAP and PEPL each shall have executed and delivered all of the Transaction Documents to which either is a party, and shall have otherwise executed and delivered all of the items set forth in Section 9.3(a) and Section 9.3(b); and

(f) The Company shall have executed and delivered all of the Transaction Documents to which it is a party and shall otherwise have executed and delivered the items set forth in Section 9.3(d) and Section 9.4.

8.4 CONDITIONS PRECEDENT TO ALL OBLIGATIONS. The obligation of any of the Parties to consummate the transactions contemplated hereby and by the other Transaction Documents to be consummated on the Formation Date shall be subject to each of the Parties having provided each of the notices of election to proceed, or having been deemed to have waived any right to terminate, pursuant to this Agreement and that the Construction Debt will be closed immediately following the Formation.

ARTICLE IX

THE FORMATION

9.1 FORMATION. If each of the Parties has, in accordance with the provisions of Article II, elected to proceed with the transactions contemplated by this Article IX (the

"Formation") then, upon the terms and subject to the conditions of this Agreement, the Formation will be held at the offices of Fulbright & Jaworski L.L.P., 1301 McKinney, Suite 5100, Houston, Texas 77010 at 10:00 a.m. on a date as soon as practical after the fulfillment of all of the conditions set forth in Article VIII (the "Formation Date"), or on such other date or at such other time or place as may be agreed in writing by the Parties.

9.2 TEPPCO, PEPL AND MAP CONTRIBUTION AND OTHER CONVEYANCES. On the Formation Date, subject to the terms and conditions of this Agreement, TEPPCO, PEPL or MAP, as the case may be, will transfer to the Company:

(a) TEPPCO will transfer the following real property interests (the "TEPPCO Property Contribution"):

(i) An easement, license and use agreement over, across and under certain property and facilities of TEPPCO located in Beaumont, Texas substantially in the form attached as Schedule 9.2(a)(i) (the "Beaumont Pipeline Easement"); and

(ii) An easement license and use agreement over, across and under certain property and facilities of TEPPCO in Beaumont, Texas substantially in the form attached as Schedule 9.2(a)(ii) (the "Beaumont Pump Station, Electrical Substation and Electrical Facilities Easement");

(iii) An easement, license and use agreement over, across and under certain property and Facilities of TEPPCO in Jefferson County, Texas substantially in the form attached as Schedule 9.2(a)(iii) (the "Jefferson County Pipeline Easement"); and

(iv) The approximately three hundred thirty (330) acres of land owned, or held under option or contract, by TEPPCO in the Creal Springs, Illinois area, as more fully described in Schedule 9.2(a)(iv) attached (the "Creal Springs Property"). The portions of the Creal Springs Property which are owned by TEPPCO as of the Formation Date shall be conveyed to Centennial by special warranty deed substantially in the form attached as Schedule 9.2(a)(iv)(a) (the "Creal Springs Deed"). With respect to the portions of the Creal Springs Property which are under contract or option to TEPPCO but are not owned by TEPPCO as of the Formation Date, TEPPCO shall assign such options to Centennial pursuant to an

assignment substantially in the form attached as Schedule 9.2(a)(iv)(b) (the "Creal Springs Option and Contract Assignment").

(b) TEPPCO will transfer the contracts listed on Schedule 9.2(b) (the "TEPPCO Contracts").

(c) TEPPCO will transfer any liabilities on the Creal Springs Property.

(d) MAP will transfer the contracts listed on Schedule 9.2(d) (the "MAP Contracts").

(e) PEPL will transfer the contracts listed on Schedule 9.2(e) (the "PEPL LLC Contracts").

9.3 DELIVERIES UPON FORMATION. Upon the terms and subject to the conditions of this Agreement on the Formation Date:

(a) MAP shall execute and deliver the following to PEPL, TEPPCO or the Company as may be necessary:

(i) the following Transaction Documents to which MAP is a party: an assignment and assumption agreement covering the MAP Contracts substantially in the form attached as Schedule 9.3(a)(i);

(ii) such certificates of good standing, corporate resolutions, incumbency certificates and other evidence of authority with respect to MAP and its Affiliates as the other Parties may reasonably require; and

(iii) the officer's certificates required by Section 8.2(a) and Section 8.3(a).

(b) PEPL shall execute and deliver the following to MAP, TEPPCO or the Company as may be necessary:

(i) the following Transaction Documents to which PEPL is a party: an assignment and assumption agreement covering the PEPL LLC Contracts substantially in the form attached as Schedule 9.3(b)(i);

(ii) such certificates of good standing, corporate resolutions, incumbency certificates and other evidence of authority with respect to PEPL and its Affiliates as the other Parties may reasonably require; and

(iii) the officer's certificates required by Section 8.1(a) and (b) and Section 8.3(a) and (b).

(c) TEPPCO shall execute and deliver the following to PEPL, MAP and the Company as may be necessary:

(i) the following instruments of conveyance, each in a form satisfactory to all Parties (the "TEPPCO Conveyance Documents"):

(A) the Beaumont Pipeline Easement ;

(B) the Creal Springs Deed;

(C) the Creal Springs Option and Contract Assignment;

(D) the Beaumont Pump Station, Electrical Substation and Electrical Facilities Easement; and

(E) the Jefferson County Pipeline Easement;

(ii) the following Transaction Documents to which TEPPCO is a party: an assignment and assumption agreement covering the TEPPCO Contracts substantially in the form attached as Schedule 9.3(c)(ii);

(iii) the Creal Springs Pipeline Easements;

(iv) such certificates of good standing, corporate resolutions, incumbency certificates and other evidence of authority with respect to TEPPCO and its Affiliates as the other Parties may reasonably require; and

(v) the officer's certificates required by Section 8.1(a) and (b) and Section 8.2(a) and (b).

(d) The Company shall execute and deliver to PEPL, MAP and TEPPCO the following Transaction Documents to which it is a party:

(i) an assignment and assumption agreement of the MAP Contracts, PEPL LLC Contracts and TEPPCO Contracts and substantially in the form attached as Schedules 9.3(a)(i), 9.3(b)(i) and 9.3(c)(ii) respectively;

(ii) the two (2) Creal Springs easement agreements in the form of Schedules 9.3(d)(ii-1) and 9.3(d)(ii-2), respectively (the "Creal Springs Pipeline Easements");

(iii) the Beaumont Pipeline Easement;

(iv) the Creal Springs Option and Contract Assignment;

(v) the Beaumont Pump Station, Electrical Substation and Electrical Facilities Easement; and

(vi) the Jefferson County Pipeline Easement.

9.4 THE CONSTRUCTION DEBT. The agreements with the Lenders for the Construction Debt will be executed on the Formation Date and the first draw thereon will be made immediately thereafter.

ARTICLE X

CONDITIONS PRECEDENT TO CLOSING

10.1 CONDITIONS PRECEDENT TO MAP OBLIGATIONS. The obligations of MAP to consummate the transactions contemplated hereby and by the other Transaction Documents to be consummated on the Closing Date, shall be subject to the fulfillment on or prior to the Closing

Date of the following conditions, which conditions may be waived, in whole or in part, in the sole discretion of MAP (but only in writing):

(a) The representations and warranties made by PEPL and TEPPCO in this Agreement, and the other Transaction Documents shall be true and correct in all material respects, as made on the date hereof (in the case of this Agreement) and as of the time of the Closing Date (in the case of this Agreement and the other Transaction Documents) as though made as of such time, and PEPL and TEPPCO each shall have performed and complied in all material respects with all of its obligations under this Agreement, and the Transaction Documents which are to be performed or complied with by it at or prior to the Closing Date, and MAP shall have received certificates to such effect signed by an executive officer of PEPL and TEPPCO;

(b) Since the date hereof, there shall not have been, nor, to the Knowledge of PEPL or its Affiliates, shall there have been threatened, any Casualty or Condemnation Loss or other event, occurrence or development with respect to any PEPL Transferred Asset which has had or would reasonably be expected to have, individually or in the aggregate, a material adverse effect on the Company's business, and MAP shall have received a certificate to such effect signed by an executive officer of PEPL;

(c) Receipt of the issuance of such Governmental Approvals and other consents, as are in each case set forth on Schedule 8.1(c); provided that none of such Governmental Approvals or consents set forth on such Schedule 8.1(c) shall impose obligations that would result in a material adverse effect upon MAP or the Company's business;

(d) As of the Closing Date, there shall be no injunction or restraining order of any nature issued by any Governmental Authority or any pending suit by any Governmental Authority or other third party or, to the Knowledge of MAP, threatened suit by any Governmental Authority which seeks, or has the effect of seeking or which directs, or has the effect of directing, that the Closing shall not be consummated as herein provided;

(e) PEPL and TEPPCO each shall have executed and delivered all of the Transaction Documents to which either is a party, and shall have otherwise executed and delivered all of the items set forth in Section 11.3(b) and Section 11.3(c); and

(f) The Company shall have executed and delivered all of the Transaction Documents to which it is a party and shall otherwise have executed and delivered the items set forth in Section 11.3(d).

10.2 CONDITIONS PRECEDENT TO OBLIGATIONS OF PEPL. The obligations of PEPL to consummate the transactions contemplated hereby and by the other Transaction Documents to be consummated on the Closing Date, shall be subject to the fulfillment on or prior to the Closing Date of the following conditions, which conditions may be waived, in whole or in part, in the sole discretion of PEPL (but only in writing):

(a) The representations and warranties made by MAP and TEPPCO in this Agreement, and the other Transaction Documents shall be true and correct in all material respects, as made on the date hereof (in the case of this Agreement) and as of the time of the Closing Date (in the case of this Agreement and the other Transaction Documents) as though made as of such time, and MAP and TEPPCO each shall have performed and complied in all material respects with all of its obligations under this Agreement, and the other Transaction Documents which are to be performed or complied with by it at or prior to the Closing Date, and PEPL shall have received certificates to such effect signed by an executive officer of MAP and TEPPCO;

(b) Receipt of the issuance, consent to assignment or amendment or modification of the Contracts and Permits and such Governmental Approvals and other consents, as are in each case set forth on Schedule 8.2(c); provided that none of such Governmental Approvals or consents set forth on such Schedule 8.2(c) shall impose obligations that would result in a material adverse effect upon PEPL or the Company's business;

(c) As of the Closing Date, there shall be no injunction or restraining order of any nature issued by any Governmental Authority or any pending suit by any Governmental Authority or other third party or, to the Knowledge of PEPL, threatened suit by any

Governmental Authority which seeks, or has the effect of seeking or which directs, or has the effect of directing, that the Closing shall not be consummated as herein provided;

(d) MAP and TEPPCO each shall have executed and delivered all the Transaction Documents and all the Commercial Documents to which they are to be a party and shall otherwise have executed and delivered the items set forth in Section 11.3(a) and Section 11.3(c).

(e) The Company shall have executed and delivered all of the Transaction Documents to which it is a party and shall otherwise have executed and delivered the items set forth in Section 11.3(d).

10.3 CONDITIONS PRECEDENT TO TEPPCO'S OBLIGATIONS. The obligations of TEPPCO to consummate the transactions contemplated hereby and by the Transaction Documents to be consummated on the Closing Date, shall be subject to the fulfillment on or prior to the Closing Date of the following conditions, which conditions may be waived, in whole or in part, in the sole discretion of TEPPCO (but only in writing):

(a) The representations and warranties made by MAP and PEPL in this Agreement, and the other Transaction Documents shall be true and correct in all material respects, as of the date hereof (in the case of this Agreement) and as of the time of the Closing Date (in the case of this Agreement and the Transaction Documents) as though made as of such time, and MAP and PEPL each shall have performed and complied in all material respects with all of its obligations under this Agreement, and the Transaction Documents which are to be performed or complied with by it at or prior to the Closing Date, and TEPPCO shall have received certificates to such effect signed by an executive officer of MAP and PEPL;

(b) Since the date hereof, there shall not have been, nor, to the Knowledge of PEPL, or its Affiliates, shall there have been threatened, any Casualty or Condemnation Loss or other event, occurrence or development with respect to any PEPL Transferred Asset which has had or would reasonably be expected to have, individually or in the aggregate, a material adverse effect on the Company's business, and TEPPCO shall have received a certificate to such effect signed by an executive officer of PEPL;

(c) Receipt of the issuance of such Governmental Approvals and other consents, as are in each case set forth on Schedule 8.3(c); provided that none of such Governmental Approvals or consents set forth on such Schedule 8.3(c) shall impose obligations that would result in a material adverse effect upon TEPPCO or the Company's business;

(d) As of the Closing Date, there shall be no injunction or restraining order of any nature issued by any Governmental Authority or any pending suit by any Governmental Authority or other third party or, to the Knowledge of TEPPCO, threatened suit by any Governmental Authority which seeks, or has the effect of seeking or which directs, or has the effect of directing, that the Closing shall not be consummated as herein provided;

(e) MAP and PEPL each shall have executed and delivered all of the Transaction Documents to which either is a party and shall have otherwise executed and delivered all of the items set forth in Section 11.3(a) and Section 11.3(b); and

(f) The Company shall have executed and delivered all of the Transaction Documents to which it is a party and shall otherwise have executed and delivered the items set forth in Section 11.3(d).

10.4 CONDITIONS PRECEDENT TO ALL OBLIGATIONS. The obligation of any of the Parties to consummate the transactions contemplated hereby and by the Transaction Documents to be consummated on the Closing Date shall be subject to each of the acts to be performed on the Formation Date having been fully completed, and each of the Parties having provided each of the notices of election to proceed, or have been deemed to have waived any right to terminate, pursuant to this Agreement.

ARTICLE XI

THE CLOSING

11.1 CLOSING. Upon the terms and subject to the conditions of this Agreement, the closing of the transactions contemplated by this Agreement (the "Closing") will be held at the offices of Fulbright & Jaworski L.L.P., 1301 McKinney, Suite 5100, Houston, Texas 77010 at 10:00 a.m. on April 1, 2001, or on such other date or at such other time or place as may be agreed in writing by the Parties. The date of the Closing is referred to as the "Closing Date."

11.2 PEPL CONTRIBUTION AND OTHER CONVEYANCES. On the Closing Date, PEPL will transfer, or cause to be transferred, to the Company:

(a) The following real and personal property, tangible and intangible assets (the "PEPL Transferred Assets"):

(i) The Exclusive Rights of Way, Rights in Shared Rights of Way, easements, licenses, permits, rights of access or use, prescriptive rights, eminent domain takings and other instruments or means of title under which PEPL, or its Affiliates, operates the Trunkline 26, including but not limited to those listed on Schedule 11.2(a)(i) (the "PEPL Rights of Way");

(A) The PEPL Rights of Way will not include, and PEPL will retain, all telecommunication and all related rights to install telecommunication facilities (including fiber optic or similar facilities) therein. If any of the PEPL Rights of Way do not contain such telecommunication rights, PEPL will have the exclusive right to negotiate with and obtain such rights from the affected landowners. Any such rights obtained by the Company in the Trunkline 26 will be assigned thereafter to PEPL to the extent assignable.

(B) TEPPCO and MAP acknowledge that most, if not all, of such easements or real estate instruments are currently being utilized by PEPL (or one of its Affiliates) for maintenance and operation of additional natural gas pipelines and, therefore, such conveyance of rights of way or real estate instruments to the Company will be in the form of Rights in Shared Rights of Way and will not be exclusive.

(ii) The Trunkline 26;

(iii) The PEPL Contracts;

(iv) The operating permits, operating licenses and similar authorizations or approvals granted by a Governmental Authority (other than any that are a portion of the PEPL Rights of Way) listed on Schedule 11.2(a)(iv) (the "PEPL Permits"); and

(v) The PEPL Intangibles.

(b) The liabilities attributable to the period after the Closing Date (the "PEPL Assumed Liabilities") listed on Schedule 11.2(b); each of which PEPL Assumed Liabilities shall be pro-rated to the Closing Date.

11.3 DELIVERIES AT THE CLOSING. Upon the terms and subject to the conditions of this Agreement, at the Closing:

(a) MAP shall execute and deliver the following to PEPL, TEPPCO or the Company as may be necessary:

(i) the MAP/Centennial T&D in the form attached as Schedule 11.3(a)(i);

(ii) the MAP/TEPPCO T&D in the form attached as Schedule 11.3(a)(ii);

(iii) such certificates of good standing, corporate resolutions, incumbency certificates and other evidence of authority with respect to MAP and its Affiliates as the other Parties may reasonably require; and

(iv) the officer's certificates required by Section 10.2(a) and Section 10.3(a).

(b) PEPL shall execute and deliver the following to MAP, TEPPCO or the Company as may be necessary:

(i) the following instruments of conveyance, each in a form satisfactory to the Parties (the "PEPL Conveyance Documents"):

(A) the Conveyance, Assignment and Bill of Sale for the Trunkline 26, the PEPL Contracts, the PEPL Rights of Way, the PEPL Permits and the PEPL Intangibles substantially in the form attached as Schedule 11.3(b)(i)(A);

(B) an agreement conveying the PEPL Assumed Liabilities substantially in the form attached as Schedule 11.3(b)(i)(B);

(ii) such certificates of good standing, corporate resolutions, incumbency certificates and other evidence of authority with respect to PEPL and its Affiliates as the other Parties may reasonably require; and

(iii) the officer's certificates required by Section 10.1(a) and (b) and Section 10.3(a) and (b).

(c) TEPPCO shall execute and deliver the following to PEPL, MAP and the Company:

(i) such certificates of good standing, corporate resolutions, incumbency certificates and other evidence of authority with respect to TEPPCO and its Affiliates as the other Parties may reasonably require;

(ii) concurrently with the first draw after the Closing Date under the Construction Debt, the initial portion of the TEPPCO Cash Contribution as determined in accordance with Section 11.6 of this Agreement; and

(iii) the officer's certificates required by Section 10.1(a) and Section 10.2(a).

(d) The Company shall execute and deliver the following to PEPL, MAP and TEPPCO:

(i) the Assumption of the PEPL Assumed Liabilities substantially in the form attached as Schedule 11.3(d)(i); and

(ii) such certificates of good standing, corporate resolutions, incumbency certificates and other evidence of authority with respect to TEPPCO and its Affiliates as the other Parties may reasonably require.

11.4 ADDITIONAL ACTIONS. On the Closing Date, the Parties and the Company, as the case may be, will also deliver and execute, or cause their Affiliates to execute and deliver, the following Transaction Documents as required:

(a) The Centennial Tariffs, substantially in the form attached as Schedule 11.4(a), to be effective on the Commencement Date.

(b) The Division Agreement among the Company, MAPL and TEPPCO, substantially in the form attached as Schedule 11.4(b), to be effective on the Commencement Date.

(c) The Division Agreement among the Company, MAPL and TEPPCO, substantially in the form attached as Schedule 11.4(c), to be effective on the Commencement Date.

(d) The Operating Agreements with MAPL and TEPPCO as the Operators, substantially in the form attached as Schedule 11.4(d-1) and Schedule 11.4(d-2) respectively.

(e) The Maintenance Agreement between PEPL, or its designated Affiliate, and the Operator of the Long Haul System (as defined in the Maintenance Agreement) portions of the Centennial Line, substantially in the form attached as Schedule 11.4(e).

(f) The Pipeline Tie-In and Procedures Agreements.

(g) Such other Transaction Documents as are reasonable and necessary to accomplish the purposes of this Formation Agreement.

11.5 NON-PRO RATA DISTRIBUTIONS OR CONTRIBUTIONS. Upon the closing of the Long Term Debt, the Company shall determine the amount, if any, of the non-pro rata capital contribution or non-pro rata distribution to be made by, or distributed to, each Party pursuant to Sections 5.02(b) and 5.02(d) of the LLC Agreement. Each Party shall be entitled to receive a non-pro rata cash distribution from the Company if, and to the extent, its Credit Amount (as defined below) exceeds the Target Amount (as defined below). Each Party shall be required to make a non-pro rata capital contribution to the Company if, and to the extent, its Credit Amount is less than the Target Amount. The following defined terms shall be used in calculating each Party's Credit Amount and the amount of its non-pro rata contribution or distribution:

(a) "Credit Amounts" means, collectively, the MAP Credit Amount, PEPL Credit Amount and TEPPCO Credit Amount, and "Credit Amount" shall mean any of such amounts as the context requires.

(b) "MAP Credit Amount" means the sum of $85 million, one-third of PD (as defined below), and the amount of Project Costs contributed to the Company by MAP.

(c) "PEPL Credit Amount" means the sum of $70 million, one-third of PD, and the amount of Project Costs contributed to the Company by PEPL.

(d) "Project Costs" means the sum of (i) all new construction and conversion costs (as set forth in the most current monthly Project Budget Summary from the Company), (ii) accrued and unpaid interest on the Construction Debt at the time of payment of the Construction Debt, (iii) all reserves required or otherwise established on or about the Commencement Date, including debt service reserves and (iv) the TEPPCO Interest Credit Amount.

(e) "PD" means the amount equal to the principal amount of the Long Term Debt.

(f) "Target Amount" means the amount equal to (i) the sum of $155 million, the TEPPCO Property Amount and the Project Costs, divided by (ii) 3.

(g) "TEPPCO Credit Amount" means the sum of one-third of PD, the amount of Project Costs contributed to the Company by TEPPCO, the TEPPCO Property Amount, and the TEPPCO Interest Credit Amount.

Examples of the determination of the amount of the non-pro rata capital contributions and distributions are set forth on Schedule 11.5.

11.6 TEPPCO CASH CONTRIBUTION.

(a) The TEPPCO Cash Contribution shall be paid over time commencing with the first draw on the Construction Debt following the Closing Date. Concurrent with each draw on the Construction Debt, starting with the first draw on or after the Closing Date, TEPPCO shall make a contribution. Each contribution will be an amount equal to the amount obtained by

multiplying (i) the ratio of the amount of the TEPPCO Cash Contribution to the amount of the Construction Debt principal not drawn prior to the Closing Date, times (ii) the amount of the Construction Debt draw that is being drawn down simultaneously with such TEPPCO contribution.

(b) The Company will credit TEPPCO with an interest amount (the "TEPPCO Interest Credit Amount") on the TEPPCO Cash Contribution for purposes of the non-pro rata distributions described in Section 11.5. The TEPPCO Interest Credit Amount shall be calculated at the Final TEPPCO Interest Rate per annum on the amounts as contributed and the calculation shall be consistent with the methodology used in the example set forth on Schedule 11.6(b).

11.7 POST-CLOSING RIGHTS-OF-WAY COVENANTS. From and after the Closing, PEPL and Company shall mutually cooperate and shall take all action necessary to preserve, and to comply with the terms and conditions of the various instruments granting, the Shared Rights of Way. PEPL or its Affiliate shall make any and all periodic payments required to be made under such instruments in a timely manner. In addition, PEPL or its Affiliate shall use reasonable commercial efforts to enforce its rights as the grantee under such instruments and to resolve any conflicts with fee owners of property traversed by the Shared Rights of Way. Company shall reimburse PEPL or its Affiliate for one-third (1/3) of the amount of the costs incurred under the landowner contracts (the "Landowner Contracts") shown on Schedule 11.7 and any payments made or costs incurred by PEPL or its Affiliate to preserve the Shared Rights of Way and to resolve such conflicts; provided, however, that Company shall be responsible for and shall reimburse PEPL or its Affiliate for all of such payments or other consideration paid by PEPL or its Affiliate to the fee owners of property traversed by the Shared Rights of Way for the sole purpose of permitting the Shared Rights of Way to be used for the handling of petroleum products. PEPL agrees that any expenditure, or commitment for expenditure, on behalf of the Company in excess of Twenty-Five Thousand Dollars ($25,000) will require the Company's prior approval or the Company will not be obligated to pay any amount in excess of such Twenty-Five Thousand Dollar ($25,000) limit. In the event PEPL or its Affiliate fails to timely make any payment required to be made to the fee owner of any of the property traversed by the Shared Rights of Way under any of the aforementioned instruments, Company shall have the right to make such payment on PEPL's or its Affiliate's behalf and thereafter PEPL or its

Affiliate shall be obligated to reimburse Company for any such payment(s). PEPL's or its Affiliate's obligations under this Section 11.6 shall continue only for so long as PEPL or its Affiliate owns and operates one or more natural gas pipelines within the Shared Rights of Way, and nothing herein shall be construed so as to prevent PEPL or its Affiliate from abandoning all or a portion of its natural gas pipelines within the Shared Rights of Way or from selling or leasing such pipelines to a third party. In the event of such a sale or lease, PEPL or its Affiliate shall assign the related Shared Rights of Way to its purchaser or lessee and such assignment shall be subject to the rights of the Company hereunder. PEPL or its Affiliate shall be required to give the Company at least ninety (90) days prior written notice of its intention to sell or lease any of its natural gas pipelines in the Shared Rights of Way or portions thereof. In the event that PEPL, or its Affiliates, desires to abandon or release the Shared Rights of Way, or any portion thereof, it shall give the Company at least ninety (90) days prior written notice thereof and offer to sell such Shared Rights of Way to the Company for nominal consideration.

11.8 OTHER POST-CLOSING COVENANTS.

(a) PEPL agrees that as a portion of the conversion of the Trunkline 26, certain pieces of equipment, pipe or scrap material containing lead-based paint or coatings will be replaced or removed. PEPL agrees to retain title to such items and insure that such are stored, used elsewhere, or disposed of in accordance with applicable Environmental Laws, all at no cost to the Company.

(b) The Parties will execute and deliver and will cause their respective Affiliates and the Company to execute and deliver the Pipeline Tie-In and Procedures Agreements, substantially in the form attached as Schedule 11.8(b), for the Centennial Line and the pipelines owned or operated by TEPPCO in the states of Texas and Illinois and MAP, or its Affiliate, in the State of Illinois.

(c) The Parties will cause the Company to adopt inventory and/or financial management plans such that the transit time from the Company's Beaumont, Texas pump station to TEPPCO's pipelines at Creal Springs, Illinois has a target of thirteen (13) days, except in the event of extraordinary circumstances, and such that shippers are not disadvantaged by longer transit times.

(d) Except as otherwise provided in this Agreement, the Parties agree that amounts payable with respect to Taxes, if any, on the PEPL Transferred Assets (other than income, franchise and similar taxes which shall be solely the responsibility of PEPL), and all amounts payable with respect to utility charges, maintenance charges and other items of expense attributable to the operation of the PEPL Transferred Assets after the Closing Date shall be prorated as of the Closing Date between PEPL and Centennial. The Parties agree that PEPL and Centennial shall each make such payment to the other after each such item of expense is correctly known as is necessary to allocate such charges and Taxes properly between PEPL and Centennial as of the Closing Date.

(e) PEPL or its Affiliate will grant such licenses, easements, or other rights to the Company as reasonable, necessary, appropriate and sufficient for the Company to route or re-route the Trunkline 26 on or in the vicinity of PEPL's Affiliate's compressor station sites as part of the commissioning and operation of the Trunkline 26. PEPL and the Company will agree in good faith upon the particular form of instrument(s) to be used for such purposes.

(f) The Company in the operation of the Centennial Line, and PEPL or its Affiliates in the operation of the PEPL Excluded Assets, will use all reasonable efforts and employ all reasonable means so as not to interfere with or impede the other's operation of its facilities, and the Company and PEPL agree to cooperate towards such end.

(g) In recognition that most of the Trunkline 26 portion of the Centennial Line will be located on Shared Rights of Way owned and historically maintained by PEPL or its Affiliates, PEPL or its Affiliates shall have a continuing exclusive right to maintain the Trunkline 26 portion of the Centennial Line, subject to a maintenance agreement substantially in the form of the Maintenance Agreement.

ARTICLE XII

INDEMNIFICATION; EXTENT OF REPRESENTATIONS AND WARRANTIES; DISPUTE RESOLUTION

12.1 MAP INDEMNIFICATION. MAP shall be responsible for, and shall indemnify and hold harmless the Company Indemnified Persons, the PEPL Indemnified Persons, and the TEPPCO Indemnified Persons from and against, any Claim or Loss to the extent such Claim or Loss arises out of any one or more of the following circumstances: any breach by MAP of the representations or warranties contained in this Agreement or the other Transactions Documents (including any certificate, exhibit, appendix or schedule furnished in connection with this Agreement, or such other Transaction Document), or any breach by MAP of any covenant of this Agreement or any other Transaction Document; provided that in determining the scope of MAP's indemnification obligation under this Section, any qualification as to materiality or material adverse effect in the representations and warranties shall be disregarded for the purposes of determining losses (it being understood that such qualifications as to materiality or material adverse effect shall apply for purposes of determining whether there has been a breach in the first place).

12.2 PEPL INDEMNIFICATION. PEPL shall be responsible for, and shall indemnify and hold harmless the Company Indemnified Persons, the MAP Indemnified Persons, and the TEPPCO Indemnified Persons from and against, any Claim or Loss to the extent such Claim or Loss arises out of any one or more of the following circumstances:

(a) Any breach by PEPL of the representations or warranties contained in this Agreement or the other Transaction Documents (including any certificate, exhibit, appendix or schedule furnished in connection with this Agreement, or such Transaction Document), or any breach by PEPL of any covenant of this Agreement or any such other Transaction Document; provided that in determining the scope of PEPL's indemnification obligation under this Section, any qualification as to materiality or material adverse effect in the representations and warranties shall be disregarded for the purpose of determining losses (it being understood that such qualifications as to materiality or material adverse effect shall apply for purposes of determining whether there has been a breach in the first place).

(b) Any failure by PEPL to duly pay, perform or discharge any Claim or Loss to the extent such Claim or Loss arises out of the ownership or operation of the PEPL Transferred

Assets prior to the Closing Date or out of the documents, instruments or circumstances that give rise to the PEPL Assumed Liabilities for the period prior to the Closing Date.

(c) Any ad valorem, real property, sales, use or similar taxes applicable to the PEPL Transferred Assets for periods ending on or prior to the Closing Date.

12.3 ENVIRONMENTAL INDEMNIFICATION. In addition to the indemnification provided in Section 12.2 hereof:

(a) PEPL shall be responsible for, and shall indemnify, defend, and hold harmless the Company Indemnified Persons, the MAP Indemnified Persons, and the TEPPCO Indemnified Persons from and against, any Environmental Liabilities that may be imposed upon them that arise out of or relate to the following:

(1) All Environmental Conditions existing on, at, or underlying the PEPL Transferred Assets, or that relate to the operation of the PEPL Transferred Assets that are known to PEPL, or any of its Affiliates, on or before the Closing, including without limitation those listed on Schedule 4.14(a);

(2) All Environmental Conditions on the PEPL Rights of Way relating to or migrating from the property owned or occupied by PEPL for natural gas compressor stations or metering stations in connection with the Trunkline 26 or the PEPL Transferred Assets, whether such occur or are discovered before or after the Closing;

(3) All Environmental Conditions arising from or related to the ownership or operation of the PEPL Excluded Assets, whether such occur or are discovered before or after Closing;

(4) All Environmental Conditions existing on, at, or underlying the PEPL Transferred Assets, or that relate to the operation of the PEPL Transferred Assets that arise out of or are related to the past or present existence of polychlorinated biphenyls or mercury in, on, a part of, or migration from the PEPL Transferred Assets; and

(5) All Environmental Conditions existing on, at, or underlying the PEPL Transferred Assets, or that relate to the operation of the PEPL Transferred Assets that arise

out of or are related to the past or present existence of asbestos or asbestos containing materials, naturally occurring radioactive material, or underground storage tanks in, on, a part of, or adjacent to the PEPL Transferred Assets.

(b) As to all other Environmental Conditions not covered in Section 12.3(a)(1)-(3) above discovered after the Closing Date, which such Environmental Conditions exist on, at, or underlying the PEPL Transferred Assets as of the Closing date or relate to the operation of the PEPL Transferred Assets on or before the Closing Date, PEPL shall be responsible for, and shall indemnify, defend, and hold harmless the Company Indemnified Persons, the MAP Indemnified Persons, and the TEPPCO Indemnified Persons from and against, any Environmental Liabilities that may be imposed upon them that arise out of or relate to any such Environmental Conditions; provided, however, PEPL's obligation to indemnify shall be limited to the percentage of such Environmental Liability or Liabilities shown opposite the 12-month period in which the Environmental Liability was discovered and notice was given, regardless of when, or the period of time over which, such Environmental Liabilities are incurred:

Year 1	100%
Year 2	100%
Year 3	80%
Year 4	60%
Year 5	40%
Year 6	20%
Year 7 and thereafter	0%

For the avoidance of doubt, it is agreed that the percentage set forth above will be applied to all costs associated with the Environmental Liability regardless of when such costs are incurred. For example, all costs to remediate an Environmental Condition covered by this provision discovered in the third year following the Closing will be paid eighty percent (80%) by PEPL and twenty percent (20%) by the Company regardless of in what year such costs are incurred.

(c) The indemnification obligations of PEPL under this Section 12.3 shall not apply to any Environmental Liabilities in the event the Company takes any action to cause such claim to be brought, provided that, without affecting the indemnity obligations of PEPL, the Company may take such action reasonably necessary to (i) comply with governmental laws and regulations

and Environmental Laws, (ii) use, convert, repair or maintain the assets of the Company in the ordinary course of business or as required for conversion from a natural gas pipeline to a products pipeline, (iii) comply with requirements imposed by lenders or other parties to financing transactions, (iv) prepare properties or assets for sale or convey such properties or assets as a result of such sales, (v) conduct periodic environmental, health and safety reviews and asset integrity inspections with such frequency and in such scope as are generally accepted in the pipeline industry as meeting minimum standards of operating procedure, and (vi) inspect and sample any and all portions of the Trunkline 26, associated rights-of-way, or PEPL Transferred Assets prior to the Closing.

(d) The indemnification provisions provided for in this Section 12.3 shall not cover the Company Indemnified Persons, the MAP Indemnified Persons or the TEPPCO Indemnified Persons for any Environmental Liabilities arising out of (i) any Environmental Laws or regulations enacted or promulgated after the Closing Date, or any change in any existing Environmental Laws or regulations enacted or promulgated after the date hereof as to petroleum products pipelines, and after the Closing Date as to gas pipelines, or (ii) as to Environmental Conditions arising solely due to the acts or omissions of the Company, its agents or contractors on or after the Closing Date.

(e) Notice of any Environmental Liabilities under this Section shall be given in accordance with Section 12.9 herein. For any Environmental Liabilities under Section 12.3(b) hereof, the year in which the notice was given shall be determinative of the percentage reimbursable to the Company.

12.4 TEPPCO INDEMNIFICATION. TEPPCO shall be responsible for, and shall indemnify and hold harmless the Company Indemnified Persons, the MAP Indemnified Persons, and the PEPL Indemnified Persons from and against, any Claim or Loss to the extent such Claim or Loss arises out of any one or more of the following circumstances:

(a) Any breach by TEPPCO of the representations or warranties contained in this Agreement or the other Transaction Documents (including any certificate, exhibit, appendix or schedule furnished in connection with this Agreement, or such Transaction Document), or any breach by TEPPCO of any covenant of this Agreement or any such Transaction Document;

provided that in determining the scope of TEPPCO's indemnification obligation under this Section, any qualification as to materiality or material adverse effect in the representations and warranties shall be disregarded for the purpose of determining losses (it being understood that such qualifications as to materiality or material adverse effect shall apply for purposes of determining whether there has been a breach in the first place).

(b) Any failure by TEPPCO to duly pay, perform or discharge any Claim or Loss to the extent such Claim or Loss arises out of the ownership or maintenance of the TEPPCO Property Contribution prior to the Formation Date.

(c) Any ad valorem, real property, sales, use or similar taxes applicable to the TEPPCO Property Contribution prior for periods ending on or prior to the Formation Date.

12.5 COMPANY INDEMNIFICATION. The Company shall be responsible for, and shall indemnify and hold harmless the TEPPCO Indemnified Persons, the MAP Indemnified Persons, and the PEPL Indemnified Persons from and against, any Claim or Loss to the extent such Claim or Loss arises out of any one or more of the following circumstances:

(a) Any breach by the Company of any covenant of this Agreement or any other Transaction Document;

(b) Any failure by the Company to duly pay, perform or discharge any Claim or Loss to the extent such Claim or Loss arises out of the ownership or maintenance of the Company's assets from and after the Closing Date or out of the documents, instruments or circumstances that give rise to the PEPL Assumed Liabilities for the period from and after the Closing Date;

(c) Any ad valorem, real property, sales, use or similar taxes applicable to the Company's assets for periods after the Closing Date; and

(d) All Environmental Conditions, including without limitation, those described in Section 12.3 above, affecting the Company's assets and arising solely due to the acts or omissions of Company, its agents or contractors from and after the Closing Date.

12.6 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations and warranties of MAP, PEPL and TEPPCO hereunder and in the exhibits, appendices and schedules hereto,

and any certificate furnished in connection with this Agreement or any Transaction Document shall survive only until the date which is two (2) years after the Closing Date for all matters other than environmental, for which the period shall be six (6) years after the Commencement Date, notwithstanding any investigation at any time made by or on behalf of MAP, PEPL or TEPPCO, as the case may be; provided further, that all such representations and warranties shall survive beyond the applicable dates specified above with respect to any Claim hereunder for indemnification based on any misrepresentation or breach of warranty that is asserted in reasonable detail against MAP, PEPL or TEPPCO, respectively, on or prior to such date.

12.7 SURVIVAL OF INDEMNITIES. The rights of indemnification provided for in this Agreement shall continue as to any Person who is no longer within the class of Persons entitled to indemnification pursuant to this Agreement with respect to events occurring while such Person was part of such class and shall inure to the benefit of the heirs, executors, administrators, successors, legal representatives and permitted assigns, as the case may be, of any such Person. The indemnification provisions contained in this Agreement shall survive for the benefit of both the transferor and the transferee any Transfer by MAP, PEPL or TEPPCO of its Membership Interests to a third party or to another Member pursuant to the LLC Agreement.

12.8 PROCEDURES RELATING TO INDEMNIFICATION UNDER ARTICLE XII.

(a) Any MAP Indemnified Person, PEPL Indemnified Person, TEPPCO Indemnified Person or Company Indemnified Person seeking indemnification under Article XII (the "Indemnified Party") with respect to a Claim that is not a Third Party Claim shall commence and resolve such claim solely in accordance with the dispute resolution procedures set forth in Section 12.11.

(b) If any Third Party Claim is asserted against an Indemnified Party and such Indemnified Party intends to seek indemnification hereunder from a party to this Agreement (the "Indemnifying Party"), then such Indemnified Party shall give notice of the Third Party Claim to the Indemnifying Party as soon as practicable after the Indemnified Party has reason to believe that the Indemnifying Party will have an indemnification obligation with respect to such Third Party Claim and shall provide the Indemnifying Party with all papers served or notices received, if any, with respect to such Third Party Claim. Thereafter, the Indemnified Party shall deliver to

the Indemnifying Party, within five (5) Business Days after the Indemnified Party's receipt thereof, copies of all notices and documents (including court papers) received by the Indemnified Party relating to the third party claim.

(c) The Indemnifying Party shall have the right to participate in, or assume control of, and the Indemnifying Party's insurance carrier shall have the right to participate in, the defense of the Third Party Claim at its own expense by giving prompt written notice to the Indemnified Party. After notice from the Indemnifying Party to the Indemnified Party of its election to assume the defense of such Third Party Claim, the Indemnified Party shall have the right to participate in the defense of the Third Party Claim using counsel of its choice, but the Indemnifying Party shall not be liable to the Indemnified Party hereunder for any legal or other expenses subsequently incurred by the Indemnified Party in connection with its participation in the defense thereof unless there shall exist or develop a conflict that would ethically prohibit counsel to the Indemnifying Party from representing the Indemnified Party, in which event the Indemnifying Party will be liable for reasonable attorneys fees and expenses incurred by the Indemnified Party. The Indemnifying Party shall have the right, acting in good faith and with due regard to the interests of the Indemnified Party, to control all decisions regarding the handling of the defense without the consent of the Indemnified Party, but shall not have the right to admit liability with respect to, or compromise, settle or discharge any Third Party Claim or consent to the entry of any judgment with respect to such Third Party Claim without the consent of the Indemnified Party, which consent shall not be unreasonably withheld, unless such settlement, compromise or consent includes an unconditional release of the Indemnified Party from all liability and obligations arising out of such Third Party Claim and which would not otherwise adversely affect the Indemnified Party.

12.9 APPORTIONMENT. To the extent that two or more of MAP, PEPL, TEPPCO and the Company are liable hereunder with respect to the same claim, the Losses will be apportioned among MAP, PEPL, TEPPCO and the Company in proportion to the extent to which the activities of each contributed to the cause of the Claim or resulting Losses.

12.10 SOLE AND EXCLUSIVE REMEDY. Each of the Parties acknowledges and agrees that, should the Formation or the Closing or both occur, the Parties' sole and exclusive remedies with

respect to any and all claims relating to this Agreement, the Transaction Documents (other than the LLC Agreement), the Conveyance Documents and the transactions contemplated hereby and thereby shall be pursuant to the indemnification provisions set forth in this Article XII.

12.11 WAIVER OF PUNITIVE AND CONSEQUENTIAL DAMAGES. Notwithstanding anything to the contrary contained in any other provision of this Agreement, neither MAP, PEPL nor TEPPCO shall be required to indemnify the other Party hereunder, the Company or any of their respective Affiliates for any indirect, consequential, exemplary or punitive damages except for indirect, consequential, exemplary or punitive damages actually paid to any third party by the Indemnified Party seeking indemnity hereunder.

12.12 DISPUTE RESOLUTION.

(a) The Parties will attempt in good faith to resolve any Dispute arising out of, relating to or in connection with this Agreement or the transactions contemplated hereby or thereby in accordance with this Section. Without limiting the generality of the foregoing, the following are considered Disputes: (i) all questions relating to the breach of any obligation, warranty, covenant or condition herein; (ii) all questions relating to any representations, negotiations and other proceedings leading to the execution hereof; (iii) failure of any Party to deny or reject a claim or demand of any other Party, (iv) all questions relating to the causes, validity or circumstances of the termination or nonrenewal of this Agreement; and (v) all questions as to whether Disputes are to be resolved pursuant to the provisions of this section. The Parties' obligation to resolve Disputes pursuant to this Section shall survive the termination of this Agreement.

(b) The Parties will promptly seek to resolve any Dispute by negotiations between senior executives of the Parties who have authority to settle the controversy. When a Party believes there is a Dispute under this Agreement, that Party will give the other Party or Parties , as the case may be, written notice of the Dispute. Within twenty (20) days after the date of such notice, the receiving Party shall submit to the other a written response. The notice and response shall include (i) a statement of such Party's position and a summary of the evidence and arguments supporting its position, and (ii) the name and title of the executive who will represent that Party. The executives shall meet at a mutually acceptable time and place within thirty (30)

days after the date of the notice and thereafter as often as they reasonably deem necessary to exchange relevant information and to attempt to resolve the Dispute. If a Party's executive intends to be accompanied at a meeting by an attorney, the other Party shall be given at least three (3) Business Days' notice of such intention and may be accompanied by an attorney.

(c) If the Dispute has not been resolved within sixty (60) days after the date of the notice given pursuant to Section 12.11(b) or if any Party fails or refuses to participate in the negotiations described in Section 12.11(b), the Dispute shall be finally settled by arbitration conducted expeditiously in accordance with the then current Rules of Practice and Procedure for the arbitration of commercial disputes of the American Arbitration Association or any successor thereto ("AAA"), by three independent and impartial arbitrators selected by the AAA. The arbitration will be binding and non-appealable, and shall be governed by the United States Arbitration Act, 9 U.S.C. 1-16, to the exclusion of any provision of state law inconsistent therewith and which would produce a different result, and judgment upon the award rendered by the Arbitrators may be entered by any court having jurisdiction thereof. The place of arbitration shall be Houston, Texas. The arbitrators shall apply the substantive law of the State of Delaware, exclusive of its conflict of law rules. The arbitrators are empowered to award only compensatory damages (including attorneys' and experts' fees and interest), and shall not be permitted to award, and each Party hereby irrevocably waives, any damages in excess of compensatory damages (including attorneys' and experts' fees and interest), including a waiver of any indirect, consequential, exemplary or punitive or multiple damages. The arbitrators are also empowered to render decisions declaratory of the Party's respective rights and obligations under this Agreement.

(d) All deadlines specified in this Section may be extended by mutual written agreement.

(e) Each Party agrees to continue to perform its obligations under this Agreement pending final resolution of any Dispute.

(f) Unless otherwise set forth herein, the procedures specified in this section shall be the sole and exclusive procedures for the resolution of Disputes between the Parties arising out of or relating to this Agreement; provided, however, that a Party may seek a preliminary

injunction or other preliminary legal or equitable relief if in the judgment of that Party such action is necessary to avoid irreparable damage or to preserve the status quo. The Parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in the Delaware Chancery Court; provided that if the Delaware Chancery Court does not have jurisdiction with respect to such matter, the Parties shall be entitled to enforce specifically the terms and provisions of this Agreement in any court of the United States in the State of Texas or in any Texas state court, this being in addition to any other remedy to which they are entitled at law or in equity. In addition, each of the Parties (i) consents to submit itself to the personal jurisdiction of the Delaware Chancery Court, any Federal Court in the State of Texas or in any Texas state court in the event that any dispute arises out of this Agreement or any of the transactions contemplated by this Agreement; (ii) agrees to appoint and maintain an agent in the State of Delaware and the State of Texas for service of legal process, (iii) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, (iv) agrees that it will not plead or claim in court that any action relating to this Agreement or any of the transactions contemplated by this Agreement in any such court has been brought in an inconvenient forum and (v) agrees that it will not initiate any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than (1) the Delaware Chancery Court, or (2) if the Delaware Chancery Court does not have jurisdiction with respect to such action, a Texas Federal court or state court. Despite the initiation of any such judicial proceedings, the parties will continue to participate in good faith in the procedures specified in this section. As between the parties, all applicable statutes of limitation shall be tolled while the procedures specified in this section are pending and the parties will take any and all actions required to effectuate such tolling.

(g) All aspects of these proceedings, including without limitation, discovery, testimony and other evidence, negotiations pursuant to this Section 12.11, briefs and the award shall be held confidential by each Party and the arbitrators, and shall be treated as compromise and settlement negotiations for the purposes of the Federal Rules of Evidence and state rules of evidence.

ARTICLE XIII

WITHDRAWAL AND TERMINATION

13.1 WITHDRAWAL AND TERMINATION EVENTS.

(a) TERMINATION. Subject to the provisions of Section 13.3, this Agreement may be terminated in the manner hereinafter provided. The Party electing to terminate or being required to terminate in accordance with this Agreement is defined as the "Terminating Party."

(i) By mutual written agreement of the Parties.

(ii) By any of the Parties if the Abandonment Order shall not have become final and no longer subject to rehearing on or before June 30, 2001, or such later date as may be agreed upon in writing by the Parties, by written notice given within ten (10) days following such date, the failure to provide such notice being a waiver of the foregoing option to terminate.

(iii) By any of the Parties if the Closing shall not have occurred on or before December 31, 2001 or such later date as may be agreed upon in writing by the Parties, by written notice given within ten (10) days following such date, the failure to provide such notice being a waiver of the foregoing option to terminate.

(iv) By the appropriate Party upon the exercise of an option to terminate pursuant to Section 2.3, Section 2.4, Section 2.5 or Section 2.6.

(v) By any of the Parties upon the exercise of an option to terminate pursuant to Section 7.10(a).

(vi) By any of the Parties upon the exercise of an option to terminate pursuant to Section 7.10(b) prior to the Formation Date.

(vii) By any of the Parties upon the exercise of an option to terminate pursuant to Section 7.10(c) prior to the Formation Date.

(viii) By any Party upon a withdrawal of a Party prior to the Formation Date pursuant to Section 13.1(b)(i), (ii), (iii) or (iv) of this Agreement.

By way of clarification, the Parties recognize and agree that a notice of termination, as distinguished from a notice of withdrawal under Section 13.1(b), may be given following the Formation Date only pursuant to Section 13.1(a)(iii).

(b) WITHDRAWAL. Subject to the provisions of Section 13.3, a Party may withdraw as a party from this Agreement and the LLC Agreement in the manner hereinafter provided. The Party electing or being required to withdraw is sometimes hereinafter referred to as the "Withdrawing Party."

(i) MAP or TEPPCO may withdraw if PEPL fails to timely perform any of its covenants and agreements contained herein or if any of PEPL's representations and warranties in this Agreement, the other Transaction Documents and in the related representations and warranties in the exhibits, appendices and schedules hereto and thereto, and any certificate furnished in connection with this Agreement cease to be true and correct in all material respects, where such failure or inaccuracy shall not have been cured within thirty (30) days after written notice thereof from MAP or TEPPCO or shall not have been waived by MAP and TEPPCO. Such option to withdraw must be exercised by written notice within ten (10) days following such thirty (30) day period or the Party will be deemed to have waived such option.

(ii) PEPL or TEPPCO may withdraw if MAP fails to timely perform any of its covenants and agreements contained herein or if any of MAP's representations and warranties in this Agreement, the other Transaction Documents and in the related representations and warranties in the exhibits, appendices and schedules hereto and thereto, and any certificate furnished in connection with this Agreement cease to be true and correct in all material respects, where such failure or inaccuracy shall not have been cured within thirty (30) days after written notice thereof from PEPL or TEPPCO or shall not have been waived by PEPL and TEPPCO. Such option to withdraw must be exercised by written notice within ten (10) days following such thirty (30) day period or the Party will be deemed to have waived such option.

(iii) MAP or PEPL may withdraw if TEPPCO fails to timely perform any of its covenants and agreements contained herein or if any of TEPPCO's representations and warranties in this Agreement, the other Transaction Documents and in the related representations and warranties in the exhibits, appendices and schedules hereto and thereto, and any certificate furnished in connection with this Agreement cease to be true and correct in all material respects, where such failure or inaccuracy shall not have been cured within thirty (30) days after written notice thereof from MAP or PEPL or shall not have been waived by MAP and PEPL. Such option to withdraw must be exercised by written notice within ten (10) days following such thirty (30) day period or the Party will be deemed to have waived such option.

(iv) Any Party may withdraw (A) if any Governmental Authority of competent jurisdiction has instituted or threatened, or any third party has instituted, any Proceeding seeking to enjoin, restrain, prohibit or substantially change the terms of the transactions contemplated hereby, which action or proceeding shall not have been withdrawn or terminated and, with respect to a threatened Proceeding by the Governmental Authority or the actual Proceeding by the third party, as the case may be, in such Party's reasonable judgment, such Proceeding may have a material adverse effect on the Company or such Party; or (B) if any Governmental Authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, executive order, decree, judgment or other order or injunctive action (whether temporary, preliminary or permanent) which is in effect and which prohibits or will prohibit the consummation of a material part of the transactions contemplated by this Agreement or requires a Party to terminate or dispose of its interest in the Company or to alter such interest in a manner that would, in the reasonable judgment of such Party, be materially adverse to that Party or the Company.

(v) Any Party may withdraw upon the exercise of an option to withdraw pursuant to Section 7.10(b) on or subsequent to the Formation Date.

(vi) Any Party may withdraw upon the exercise of an option to withdraw pursuant to Section 7.10(c) on or subsequent to the Formation Date.

(c) Notwithstanding the foregoing, no Party will be entitled to elect to withdraw from or to terminate this Agreement if such Party's breach of this Agreement has prevented the consummation of the transactions contemplated hereby. Each of MAP's, PEPL's and TEPPCO's right of withdrawal or termination hereunder is in addition to any other rights it may have hereunder or otherwise, and the exercise of a right of withdrawal or termination shall not be an election of remedies.

13.2 EFFECT OF TERMINATION.

(a) If this Agreement is terminated pursuant to Section 13.1(a), then, subject to Section 13.4 below, this Agreement shall become void and of no further force and effect, and none of the Parties (nor their respective Affiliates, directors, shareholders, partners, members, managers, officers, employees, agents, consultants, attorneys-in-fact or the representatives) shall have any liability in respect of such termination; provided, however, that if the failure to consummate the transactions contemplated hereby was the result of any of the conditions hereunder having not been fulfilled by reason of the breach by any of the Parties of its covenants, representations and/or warranties set forth in this Agreement, any other Transaction Document, or in any agreement, document or instrument ancillary hereto, then the Party having so breached shall remain liable to the other Parties, and provided further the obligations set forth in Section 7.8 shall survive termination.

(b) If a Party withdraws pursuant to the terms of this Agreement, this Agreement shall terminate as to the Withdrawing Party, subject to the continuation of certain provisions as herein provided, but this Agreement shall continue in full force and effect with respect to the remaining Parties. However, if this Agreement is terminated pursuant to its provisions, it shall be terminated for all Parties, subject to the survival of certain provisions as herein provided.

13.3 FURTHER NEGOTIATIONS. A Terminating Party or Withdrawing Party shall give written notice of its intent to terminate or withdraw to each Party remaining as a party to this Agreement. Thereafter, the Parties agree that, for a period of sixty (60) days following such notice of termination or withdrawal, as the case may be, they will (i) negotiate with each other in a good faith attempt to cure any cause for the withdrawal or termination or to allow the Party or

Parties not electing to withdraw from or terminate this Agreement to proceed with a similar venture using similar assets and contributions, it being understood that such negotiations may include the purchase of any or all of the PEPL Transferred Assets, the TEPPCO Property Contribution, or the agreements by MAP to ship products over such pipelines; and (ii) not market any of the assets described herein or seek to enter into the same or similar transactions serving the same geographic area with any third parties. If, within such 60-day period, the Parties have not reached agreement to continue with this Agreement as evidenced by a written agreement executed by the Parties and an Offer Notice has not been received pursuant to Section 13.4(e), and (i) the written notice specified in the first sentence of this Section 13.3 above was a termination notice, this Agreement shall terminate at the end of such 60-day period; or (ii) such notice is a withdrawal notice, such withdrawal shall be effective as of the date of such notice.

13.4 PROCEDURES AND REMEDIES FOLLOWING TERMINATION OR WITHDRAWAL. In the event a Party withdraws from this Agreement or this Agreement is terminated pursuant to any of the provisions contained herein providing for such withdrawal or termination, the following shall apply:

(a) In the event a Party withdraws pursuant to the terms of this Agreement on or before the Formation Date, this Agreement shall terminate.

(b) Should termination of this Agreement occur prior to the Formation Date, the Centennial Project shall be terminated, and the Company shall be dissolved and liquidated pursuant to the provisions of the LLC Agreement and this Agreement, including without limitation, Section 7.8(d). Except as provided in Section 7.8(d), no Party shall be obligated to make any further contributions to the Company or the Centennial Project.

(c) In the event a Withdrawing Party withdraws subsequent to the Formation Date but prior to the Closing Date, and the remaining Party or Parties elect to continue with the Centennial Project, the Withdrawing Party shall remain obligated to the Company for the contribution called for by Sections 11.2 in the case of PEPL, 11.3 in the case of MAP and 11.6 in the case of TEPPCO, and each Party agrees to comply with such obligations. Such contributions and conveyances shall be made in accordance with the terms of this Agreement. Following its withdrawal, the Withdrawing Party shall continue to be obligated for one-third (1/3) of the

amount of the liabilities incurred by the Company, including the Construction Debt drawn down by the Company through the effective date of such Party's withdrawal. In the event the Withdrawing Party is the second such Party to withdraw hereunder, such Party shall continue to be obligated for one-half (1/2) of all amounts of the liabilities incurred by the Company, including the Construction Debt drawn down by the Company and not paid by the first Withdrawing Party. The remaining Party or Parties shall indemnify and hold harmless the Withdrawing Party and its Affiliates from any further costs, expenses or liabilities incurred by or on behalf of the Company. Notwithstanding the foregoing, should the remaining Party or Parties dissolve and liquidate, or sell, the Company or all or substantially all of its Assets, prior to the Closing Date, the Withdrawing Party shall be reinstated for all purposes as a Party to this Agreement and as a Member of the Company through such dissolution and liquidation of the Company or such sale, as the case may be. Each Party shall participate in all costs, expenses and liabilities of the Company, and any and all liquidation distributions or sale proceeds, in accordance with their Percentage Interest. In the event of such dissolution, liquidation or sale, no Party shall be obligated to contribute or convey to the Company the contributions called for by Sections 11.2 in the case of PEPL, 11.3 in the case MAP and 11.6 in the case of TEPPCO.

(d) In the event a Withdrawing Party withdraws subsequent to the Closing Date but prior to the Commencement Date, the Withdrawing Party shall remain obligated to the Company for the contribution called for by Sections 11.2 in the case of PEPL, 11.3 in the case of MAP and 11.6 in the case of TEPPCO, and each Party agrees to comply with such obligations. The Withdrawing Party shall release all right, title and interest that it may have as a Member of the Company or otherwise in and to all of the assets of the Company, whether or not contributed by such Withdrawing Party, and shall be liable for, and shall continue to be obligated for, one-third (1/3) of the amount of the liabilities incurred by the Company, including the Construction Debt drawn down by the Company up to and including the effective date of such Party's withdrawal. In the event the Withdrawing Party is the second such Party to withdraw hereunder, such Party shall be liable for, and shall continue to be obligated for, one-half (1/2) of all amounts of the liabilities incurred by the Company, including the Construction Debt drawn down by the Company and not paid by the first Withdrawing Party. The remaining Party or Parties shall indemnify and hold harmless the Withdrawing Party and its Affiliates from any further costs, expenses or liabilities incurred by or on behalf of the Company subsequent to the date of such

withdrawal. The remaining Party or Parties shall be entitled to continue the Company and the Centennial Project or to modify, liquidate or sell same on such terms and conditions as such Party or Parties may decide. In the event the Company is subsequently liquidated or sold after the Closing Date, the Withdrawing Party shall have no right or claim with respect to any of the Company's assets and shall not participate in any liquidation distributions or proceeds.

(e) (i) A Party may exercise its rights to sell its Membership Interest in the Company as set forth in Section 10.04 of the LLC Agreement at any time during the term of the LLC Agreement, subject to the right of first refusal set forth in that Section. Notwithstanding the preceding sentence and except as hereinafter provided, should a Party elect to withdraw or terminate prior to the Commencement Date pursuant to the provisions of this Agreement, it shall be subject to the provisions of this Section 13.4, and shall not thereafter be entitled to attempt to sell its Membership Interest in the Company, notwithstanding the provisions of the LLC Agreement. Should the withdrawal process end without the Withdrawing Party having withdrawn from this Agreement and the LLC Agreement, such party shall again have available the provisions of Section 10.04 of the LLC Agreement for the sale of its Membership Interest.

(ii) Notwithstanding the foregoing, should a Party terminate or withdraw pursuant to a Proceeding or other matter as described in Section 13.1(b)(iv), and such Party provides a written termination or withdrawal notice pursuant to the terms of this Agreement, such Party shall be entitled to attempt to obtain a buyer for its Membership Interest during the 60-day period of negotiations specified in Section 13.3. Should such Party fail to deliver to the other Parties an Offer Notice by the end of such 60-day period, and if the Parties have failed to negotiate an alternative to the withdrawal or termination, such withdrawal or termination notice shall be effective as provided in Section 13.3. In the event an Offer Notice is delivered within such 60-day period, the Parties shall be entitled to exercise the rights of first refusal provided to them pursuant to Section 10.04 of the LLC Agreement and in accordance with the provisions of that Section as amended below. The failure of the Withdrawing Party or the Terminating Party

to sell its Membership Interest as therein provided shall result in the withdrawal notice or termination notice, as the case may be, becoming effective as of the date specified in Section 13.3. In the event the Proceeding or other matter requires the Party to dispose of its interest in the Company in less than 120 days, the respective 60-day periods of Section 13.3 of this Agreement and Section 10.04(a) of the LLC Agreement shall be equally reduced to fit such shortened time requirement; provided, however, that the period specified in Section 10.04(a) of the LLC Agreement may not be reduced to less than thirty (30) days.

(f) A Withdrawing Party agrees to execute any agreements or other documents evidencing such Party's withdrawal as a party to this Agreement and the LLC Agreement and as a Member of the Company, and to evidence the release of all right, title and interest in and to the Centennial Project or the assets used in or comprising a part of such project.

ARTICLE XIV

MISCELLANEOUS

14.1 PUBLICITY. Neither MAP, PEPL or TEPPCO will make any press release or other public statement or disclosure (including communications to employees, customers and suppliers) regarding this Agreement, its contents or the transactions contemplated hereby without giving the other Parties reasonable prior notice thereof and the opportunity to review and comment upon such release, statement or disclosure unless and only to the extent that disclosure is required under federal or state laws or regulations of a recognized stock exchange.

14.2 NOTICES. Any notice, consent or approval to be given under this Agreement shall be in writing and shall be deemed to have been given if delivered: (i) personally; (ii) by a reputable courier service that requires a signature upon delivery; (iii) by mailing the same via registered or certified first class mail, postage prepaid, return receipt requested; or (iv) by faxing the same with telephonic confirmation of receipt (followed by a first class mailing of the same) to the intended recipient. Any such writing will be deemed to have been given and to be effective: (a) as of the date of personal delivery or delivery via courier as described above; (b) as

of the third calendar day after depositing the same into the custody of the postal service as evidenced by the date-stamped receipt issued upon deposit of the same into the mails as described above; and (c) as of the date and time electronically transmitted in the case of telecopy delivery as described above, in each case addressed to the intended party at the address set forth below:

If to MAP:

Marathon Ashland Petroleum LLC
539 South Main Street
Findlay, Ohio 45840
Attention: Senior Vice President,
Business Development
Facsimile No.: (419) 421-3509
Telephone No.: (419) 421-2345

with a copy to:

Marathon Ashland Petroleum LLC
539 South Main Street
Findlay, Ohio 45840
Attention: Senior Group Counsel,
Marketing and Commercial Services
Facsimile No.: (419) 427-3679
Telephone No.: (419) 421-3275

If to PEPL:

Panhandle Eastern Pipe Line Company
5444 Westheimer Road
Houston, Texas 77056-5306
Attention: General Counsel
Facsimile No.: (713) 989-1189
Telephone No.: (713) 989-7560

If to TEPPCO:

TE Products Pipeline Company, Limited Partnership
P. O. Box 2521
Houston, Texas 77252-2521
Attention: President
Facsimile No.: (713) 759-3957
Telephone No.: (713) 759-3500

with a copy to:

TE Products Pipeline Company, Limited Partnership
P. O. Box 2521
Houston, Texas 77252-2521
Attention: General Counsel
Facsimile No.: (713) 759-3645
Telephone No.: (713) 759-3968

If to the Company: Centennial Pipeline LLC
539 South Main Street
Findlay, Ohio 45840
Attention: Secretary
Facsimile No.: (419) 421-3578
Telephone No.: (419) 421-3275

MAP, PEPL, TEPPCO or the Company may designate different addresses or facsimile numbers by notice to the other Parties hereto.

14.3 MERGER AND ENTIRE AGREEMENT. This Agreement (including the exhibits and appendices hereto), together with the other Transaction Documents (including the exhibits, appendices and schedules thereto), and certain other agreements executed contemporaneously with this Agreement, constitutes the entire agreement of MAP, PEPL and TEPPCO and supersedes any prior understandings, agreements or representations by or among MAP, PEPL and TEPPCO, written or oral, to the extent they relate in any way to the subject matter hereof or thereof (except the Confidentiality Agreement).

14.4 ASSIGNMENT. Without the prior consent of the other Parties hereto, neither MAP, PEPL or TEPPCO shall assign all or any of its rights, obligations or benefits under this Agreement to any third party, except for (i) the assignment of its rights hereunder to any third party transferee of its Membership Interests pursuant to Article X of the LLC Agreement and (ii) the assignment of its rights hereunder to a wholly owned subsidiary of such Party in which case such Party shall not be relieved of any of its obligations hereunder, and any attempted assignment not in compliance with this Section 14.4 shall be void ab initio.

14.5 PARTIES IN INTEREST.

(a) This Agreement shall inure to the benefit of, and be binding upon, MAP, PEPL and TEPPCO and their respective successors, legal representatives and permitted assigns. The Company shall be deemed a third party beneficiary of the provisions hereof.

(b) It is understood and agreed that any representations, covenants, rights and obligations under this Agreement made, agreed to or enjoyed by PEPL shall be deemed to have been made and agreed to by PEPL on behalf of itself and its direct wholly-owned subsidiaries, TGC, the current owner of the PEPL Transferred Assets, and TPH, to whom the PEPL Transferred Assets will be conveyed prior to the Closing. PEPL shall have the right to cause such representations, covenants, rights and obligations to be satisfied, complied with, performed, carried out and enjoyed by TPH and/or TGC, as the case may be, depending on the nature of the particular representations, covenants, rights and obligations at issue. It is further understood and agreed, however, that the satisfaction, compliance with and performance of any representations, covenants and obligations ascribed to PEPL in this Agreement which are actually to be satisfied, complied with and performed by TGC or TPH shall nevertheless be and are hereby guaranteed by PEPL.

14.6 COUNTERPARTS. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

14.7 AMENDMENT; WAIVER. This Agreement may not be amended or any waiver of its terms be granted, other than as expressly provided otherwise, except in a written instrument signed by MAP, PEPL and TEPPCO and expressly stating it is an amendment to or waiver under this Agreement. Except as otherwise specifically provided in this Agreement, any failure or delay on the part of either MAP, PEPL or TEPPCO in exercising any power or right hereunder shall not operate as a waiver thereof, nor shall any single or partial exercise of any such right or power preclude any other or further exercise thereof or the exercise of any other right or power hereunder or otherwise available at law or in equity.

14.8 SEVERABILITY. If any term, provision, covenant or restriction of this Agreement or the application thereof to any Person or circumstance, at any time or to any extent, is held by a court of competent jurisdiction or other Governmental Authority to be invalid, void or

unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement (or the application of such provision in other jurisdictions or to Persons or circumstances other than those to which it was held invalid or unenforceable) shall in no way be affected, impaired or invalidated, and to the extent permitted by applicable law, any such term, provision, covenant or restriction shall be restricted in applicability or reformed to the minimum extent required for such to be enforceable. This provision shall be interpreted and enforced to give effect to the original written intent of the parties hereto prior to the determination of such invalidity or unenforceability.

14.9 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, WITHOUT GIVING EFFECT TO THE PRINCIPLES OF CONFLICTS OF LAW THEREOF. ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY CLAIM OR PROCEEDING RELATED TO OR ARISING OUT OF THIS AGREEMENT, OR ANY TRANSACTION OR CONDUCT IN CONNECTION HEREWITH, IS WAIVED.

14.10 TABLE OF CONTENTS, HEADINGS AND TITLES. The table of contents and section headings of this Agreement are for reference purposes only and are to be given no effect in the construction or interpretation of this Agreement.

14.11 USE OF CERTAIN TERMS; RULES OF CONSTRUCTION. As used in this Agreement, the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular paragraph, subparagraph, section, subsection or other subdivision. Whenever the context may require, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa. Each of MAP and PEPL agrees that any rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation or construction of this Agreement or any other Transaction Document.

14.12 HOLIDAYS. Notwithstanding any deadline for payment, performance, notice or election under this Agreement, if such deadline falls on a date that is not a Business Day, then

the deadline for such payment, performance, notice or election will be extended to the next succeeding Business Day.

14.13 THIRD PARTIES. Except as may specifically be provided otherwise elsewhere in this Agreement, nothing herein expressed or implied is intended or shall be construed to confer upon or give to any Person (other than the Parties or the Company and their respective successors, legal representatives and permitted assigns) any rights, remedies or basis for reliance upon, under or by reason of this Agreement.

14.14 FURTHER ASSURANCES. From and after the Formation Date, each of the Parties shall, at the request of any of the others, execute and deliver or cause to be executed and delivered all such documents and instruments, and take or cause to be taken all such other reasonable actions as may be necessary or desirable to more fully carry out the intents and purposes of this Agreement.

14.15 ADDENDUM AND JOINDER BY THE COMPANY. Immediately following the execution of the LLC Agreement, MAP, PEPL and TEPPCO shall cause the Company to execute and deliver the Addendum and Joinder substantially in the form of Schedule 14.15 and, upon execution thereof, the Company shall thereafter become a party to this Agreement and shall have all of the rights and be subject to all of the obligations provided herein.

THIS AGREEMENT is executed and delivered effective as of the date first written above by the undersigned duly authorized representatives of the parties hereto.

MARATHON ASHLAND PETROLEUM LLC

By: /s/ GARY R. HEMINGER

Name: Gary R. Heminger

Title: Senior Vice President, Business Development

PANHANDLE EASTERN PIPE LINE COMPANY

By: /s/ CHRISTOPHER A. HELMS

Name: Christopher A. Helms

Title: President and Chief Operating Officer

TE PRODUCTS PIPELINE COMPANY, LIMITED PARTNERSHIP
BY: TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC, ITS GENERAL PARTNER

By: /s/ WILLIAM L. THACKER

Name: William L. Thacker

Title: Chairman, President and Chief Executive Officer

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AMENDED AND RESTATED

LIMITED LIABILITY COMPANY AGREEMENT

OF

CENTENNIAL PIPELINE LLC

THIS AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT dated as of August 10, 2000, by and between Marathon Ashland Petroleum LLC, a Delaware limited liability company ("MAP"), Panhandle Eastern Pipe Line Company, a Delaware corporation ("PEPL"), and TE Products Pipeline Company, Limited Partnership, a Delaware limited partnership ("TEPPCO"), as Members of Centennial Pipeline LLC (the "Company").

Preliminary Statement

1. On March 27, 2000, MAP, pursuant to a Memorandum of Understanding between the Members, formed the Company by entering into a Limited Liability Company Agreement for the Company (the "Original LLC Agreement") and filing a Certificate of Formation of the Company with the Secretary of State of the State of Delaware;

2. On August 10, 2000, MAP, TEPPCO and PEPL entered into a Formation Agreement (the "Formation Agreement") providing for the terms and conditions under which they have agreed to amend and restate the Original LLC Agreement for the Company as set forth herein and contribute assets to the Company; and

3. The Members are entering into this LLC Agreement to amend and restate the Original LLC Agreement in its entirety, to admit PEPL and TEPPCO as Members of the Company, and to set forth the rights and responsibilities of each of them with respect to the governance, financing and operation of the Company.

NOW, THEREFORE, MAP, TEPPCO and PEPL hereby agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Certain Definitions. Unless expressly stated otherwise, defined terms used in this Agreement shall have the meanings ascribed to them in Exhibit A attached.

ARTICLE II

General Provisions

SECTION 2.01. Continuation; Effectiveness. The parties hereto hereby continue the Company formed as a limited liability company pursuant to the provisions of the Delaware Act by the filing of the Certificate of Formation with the Secretary of State of the State of Delaware on March 27, 2000. Pursuant to Section 18-201(d) of the Delaware Act, the provisions of this LLC Agreement shall be effective as of the effective date of this LLC Agreement. Each Member hereby adopts, confirms and ratifies the Certificate of Formation and all acts taken in connection therewith. TEPPCO and PEPL shall be admitted as Members of the Company upon execution and delivery of this LLC Agreement. Except as provided in this LLC Agreement, the rights, duties, liabilities and powers of the Members shall be as provided in the Delaware Act.

SECTION 2.02. Name. The name of the Company is and shall continue to be Centennial Pipeline LLC. The Board of Managers may adopt such trade or fictitious names as it may determine.

SECTION 2.03. Term. Subject to the provisions of Article XIV providing for early termination in certain circumstances, the initial term of the Company (the "Initial Term") began on the date the Company's Certificate of Formation was filed with the Secretary of State of the State of Delaware, and shall continue until the close of business on December 31, 2050 and, thereafter, the term of the Company shall be automatically extended for successive ten (10) year periods unless at least two years prior to the end of the Initial Term or any succeeding ten (10) year period, as applicable, a Member notifies the other Members in writing that it wants to terminate the term of the Company at the end of

the Initial Term or such ten (10) year period; in which event, the term of the Company shall not thereafter be extended for a successive ten (10) year term. The Initial Term, together with any such extensions, shall be the "Term of the Company." The existence of the Company as a separate legal entity shall continue until the cancellation of the Certificate of Formation in the manner provided in the Delaware Act.

SECTION 2.04. Registered Agent and Office. The name of the registered agent of the Company for service of process on the Company in the State of Delaware is The Corporation Trust Company, and the address of the registered agent and the address of the office of the Company in the State of Delaware is c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801. The Board of Managers may change such office and such agent from time to time in its sole discretion.

SECTION 2.05. Purpose. (a) The purpose of the Company is to engage in any lawful act or activity for which a limited liability company may be formed under the Delaware Act, either directly, or indirectly through one or more subsidiaries, including, but not limited to, transporting petroleum, oil and other liquids and gas through pipes and for otherwise storing, transporting and transmitting petroleum, oil and other liquids and gas as a common carrier or otherwise, and owning, leasing or operating terminals to further such purposes.

(b) The Company, and the President on behalf of the Company, may enter into and perform the Transaction Documents to which the Company is a party without any further act, vote or approval of the Board of Managers or the Members notwithstanding any other provision of this LLC Agreement, the Delaware Act or other applicable law. The President of the Company is hereby authorized to enter into such Transaction Documents on behalf of the Company, but such authorization shall not be deemed a restriction on the power of the Board of Managers to enter into other agreements on behalf of the Company.

SECTION 2.06. Powers. In furtherance of its purposes, but subject to all the provisions of this LLC Agreement, the Company shall have the power and is hereby authorized to:

(a) acquire by purchase, lease, contribution of property or otherwise, own, operate, hold, sell, convey, transfer or dispose of any real or personal property, tangible or intangible assets, which may be necessary, convenient or incidental to the accomplishment of the purpose of the Company;

(b) act as a trustee, executor, nominee, bailee, director, officer, agent or in some other fiduciary capacity for any Person or entity and to exercise all the powers, duties, rights and responsibilities associated therewith;

(c) take any and all actions necessary, convenient or appropriate as trustee, executor, nominee, bailee, director, officer, agent or other fiduciary, including the granting or approval of waivers, consents or amendments of rights or powers relating thereto and the execution of appropriate documents to evidence such waivers, consents or amendments;

(d) borrow money and issue evidences of indebtedness in furtherance of any or all of the purposes of the Company, and secure the same by mortgage, pledge or other lien on the assets of the Company;

(e) invest any funds of the Company pending distribution or payment of the same pursuant to the provisions of this Agreement;

(f) prepay in whole or in part, refinance, recast, increase, replace, modify or extend any indebtedness of the Company and, in connection therewith, execute any extensions, renewals or modifications of any mortgage or security agreement securing such indebtedness;

(g) enter into, perform and carry out contracts of any kind, including, without limitation, contracts with any Person or entity affiliated with any of the Members, necessary to, in connection with, convenient to, or incidental to the accomplishment of the purposes of the Company;

(h) employ or otherwise engage employees, managers, contractors, advisors, accountants, attorneys and consultants and pay reasonable compensation for such services;

(i) enter into partnerships, limited liability companies, trusts, associations, corporations or other ventures with other Persons or entities in furtherance of the purposes of the Company;

(j) do such other things and engage in such other activities related to the foregoing as may be necessary, convenient or incidental to the conduct of the business of the Company, and have and exercise all of the powers and rights conferred upon limited liability companies formed pursuant to the Delaware Act; and

(k) merge or otherwise combine with or convert into any other business entity.

ARTICLE III

Members

SECTION 3.01. Members; Percentage Interests. The names and addresses of the Members and their respective Percentage Interests are as follows:

Members	Percentage Interests
Marathon Ashland Petroleum LLC 539 South Main Street Findlay, Ohio 45840	33 1/3 %
Panhandle Eastern Pipe Line Company 5444 Westheimer Road, Suite 500 Houston, Texas 77056-5306	33 1/3 %
TE Products Pipeline Company, Limited Partnership P. O. Box 2521 Houston, Texas 77252-2521	33 1/3 %

SECTION 3.02. Adjustments in Percentage Interests. TEPPCO's, MAP's and PEPL's Percentage Interests, and the Percentage Interests of each other Member, if any, shall be adjusted (a) at

the time of any Transfer of such Member's Membership Interest pursuant to Section 10.01, (b) at the time of the admission of each new Member pursuant to such terms and conditions as the Board of Managers from time to time shall determine pursuant to a vote in accordance with Section 8.07(b), in each case to take into account such Transfer or admission of a new Member, and (c) at the time of an election pursuant to Section 4.06(b)(iii).

ARTICLE IV

Capital Contributions; Assumption of Liabilities; Capital Accounts

SECTION 4.01. Initial Capital Contributions and Assumed Liabilities. (a) Simultaneously with the execution of this LLC Agreement, each Member shall be deemed to have made an initial contribution to the Company for all costs incurred by such Member under the Cost Sharing Agreement, and each Member shall be deemed to have made contributions for the amounts expended under Section 7.8 of the Formation Agreement.

(b) On the Closing Date, PEPL shall contribute, convey, transfer, assign and deliver to the Company the PEPL Transferred Assets. On the Closing Date, MAP shall execute and deliver to the Company the MAP T&D. On the Formation Date, TEPPCO shall contribute to the Company the TEPPCO Property Contribution. On the Closing Date, TEPPCO shall start payment of the TEPPCO Cash Contribution. In each case, the contribution shall be made pursuant to terms and conditions of the Formation Agreement. In addition, any additional assets that TEPPCO, MAP or PEPL are required to contribute, convey, transfer, assign and deliver to the Company at some other date or dates pursuant to the terms and conditions of the Formation Agreement shall be so contributed at such other date or dates.

(c) The Company shall assume, as of the effective date of such transfer, the TEPPCO Contracts, the PEPL Assumed Liabilities and the various obligations under the PEPL Rights of Way, the PEPL Contracts, and such other contracts as may be assigned to it, pursuant to the terms of the Formation Agreement.

SECTION 4.02 Additional Capital Contributions. Except as otherwise provided in Section 7.8 and Section 11.5 of the Formation Agreement and Section 5.02 of this LLC Agreement, the Members shall make other additional capital contributions pro rata based on their respective Percentage Interests if and to the extent such capital contributions are approved by the Board of Managers pursuant to a vote in accordance with Section 8.06(c) except for capital contributions described in Section 8.07(l).

SECTION 4.03. Maintenance of Capital Accounts. An account (a "Capital Account") shall be established and maintained in the Company's books for each Member in accordance with Treasury Regulation Section 1.704-1(b)(2)(iv) and to which the following provisions apply to the extent not inconsistent with such Regulation:

(a) There shall be credited to each Member's Capital Account (i) the amount of money contributed by such Member to the Company (including liabilities of the Company assumed by such Member as provided in Treasury Regulation Section 1.704-1(b)(2)(iv)(c)), (ii) the fair market value of any property contributed by the Member to the Company (net of liabilities secured by such contributed property that the Company is considered to assume or take subject to under Code Section 752), and (iii) such Member's share of the Company's Profit and Loss if such is positive;

(b) There shall be debited from each Member's Capital Account (i) the amount of money distributed to such Member by the Company (including liabilities of such Member assumed by the Company as provided in Treasury Regulation Section 1.704-1(b)(2)(iv)(c)) other than amounts which are in repayment of debt obligations of the Company to such Member, (ii) the fair market value of property distributed to such Member (net of liabilities secured by such property that such Member is considered to assume or take subject under Code Section 752), and (iii) such Member's share of the Company's Profit and Loss if such is negative;

(c) To each Member's Capital Account there shall be credited, in the case of an increase, or debited, in the case of a decrease, such Member's share of any adjustment to the adjusted basis of Company assets pursuant to Code Section 734(b) or Code Section 743(b) to the extent provided by Treasury Regulation Section 1.704-(b)(2)(iv)(m); and

(d) Upon the transfer of all or any part of the Membership Interest of a Member, the Capital Account of the transferee Member shall include the portion of the Capital Account of the transferor Member attributable to such transferred Membership Interest (or portion thereof).

(e) If any additional Membership Interest are to be issued in consideration for a contribution of property or cash or if any Company property is to be distributed in liquidation of the Company or a Membership Interest, the Capital Accounts of the Members (and the Carrying Value of the Company properties used to determined the Capital Accounts) shall, immediately prior to such issuance or distribution, as the case may be, be adjusted (consistent with the provisions of Section 704(b) of the Code and the Treasury Regulations promulgated thereunder) upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to all Company properties (as if such Unrealized Gain or Unrealized Loss had been recognized upon actual sale of such properties upon a liquidation of the Company immediately prior to such issuance). If the Agreed Value of any property of the Company is properly reflected on the books of the Company at a Carrying Value that differs from the adjusted tax basis of such property, this Section 4.03(e) shall be applied with reference to such value.

SECTION 4.04. Negative Capital Account Balances; Withdrawal of Capital. Except as provided in Section 6.01(e)(iv), in the event that any Member's Capital Account falls below zero, none of the Members shall have any obligation to the Company or to the other Members to restore any negative balance in its Capital Account. No Member may withdraw capital or receive any distributions from the Company except as specifically provided herein.

SECTION 4.05. No Third Party Beneficiaries. The provisions of this Agreement including, without limitation, this Article IV, are intended solely to benefit the Members and to the fullest extent permitted by applicable law, shall not be construed as conferring any benefit upon any creditor of the Company. No such creditor of the Company shall be a third party beneficiary of this LLC Agreement. No Member or member of the Board of Managers shall have any duty or obligation to any creditor of the Company to issue any call for capital pursuant to this LLC Agreement.

SECTION 4.06 Failure to Contribute. (a) If a Member does not contribute by the time required all or any portion of a capital contribution that such Member ("Delinquent Member") is required to make as provided in this LLC Agreement, the Company (by vote of at least a majority of the Percentage Interests remaining after excluding the Percentage Interest of the Delinquent Member) may exercise, on written notice to such Delinquent Member, the following remedy:

(i) permitting the other Members in proportion to their Membership Interest or in such other percentages as they may agree (the "Lending Member," whether one or more), to advance the portion of the Delinquent Member's capital contribution that is in default, with the following results:

(1) the sum advanced constitutes a loan from the Lending Member to the Delinquent Member and a capital contribution of that sum to the Company by the Delinquent Member pursuant to the applicable provisions of this Agreement;

(2) the principal balance of the loan and all accrued unpaid interest thereon (collectively, the "Obligation") is due and payable in whole on the tenth Business Day after the day written demand requesting payment of the Obligation is made by the Lending Member to the Delinquent Member;

(3) the amount lent bears interest at the Default Interest Rate from the date on which the advance is deemed made until the date that the loan, together with all interest accrued thereon and all costs and expenses associated therewith ("Loan Costs"), is repaid to the Lending Member;

(4) all distributions from the Company that otherwise would be made to the Delinquent Member (whether before or after dissolution of the Company) instead shall be paid to the Lending Member until the Obligation and any Loan Costs have been paid in full to the Lending Member (with payments being applied first to accrued and unpaid interest, second to Loan Costs, and finally to principal);

(5) the payment of the Obligation and Loan Costs is secured by a security interest in the Delinquent Member's Membership Interest, as more fully set forth in Section 4.06(c); and

(6) the Lending Member has the right, in addition to the other rights and remedies granted to it pursuant to this Agreement or available to it at law or in equity, to take any action (including, without limitation, court proceedings and exercising the rights of a secured party under the Uniform Commercial Code of the State of Delaware) that the Lending Member may deem appropriate to obtain payment from the Delinquent Member of the Obligation and all Loan Costs.

(b) If a Delinquent Member does not pay the Obligation and Loan Costs when due, or if no Member is willing to become a Lending Member, the Company (by vote of at least a majority of the Percentage Interest remaining after excluding the Percentage Interest of the Delinquent Member) may exercise, on written notice to such Delinquent Member, one or more of the following remedies:

(i) taking such action (including, without limitation, court proceedings) as the Company may deem appropriate to obtain payment by the Delinquent Member of the portion of the Delinquent Member's capital contribution that is in default, along with the costs and expenses associated with the collection of such Delinquent Member's capital contribution;

(ii) exercising any other rights and remedies available at law or in equity; or

(iii) the other Members (by affirmative vote of at least a majority of the Membership Interest held by such other Members) may elect to make any such unpaid capital contributions to the Company and adjust the Percentage Interest for each Member to equal the percentage obtained by dividing (A) the Target Amount, plus all pro-rata capital contributions (as described in Section 4.02 of this LLC Agreement) by such Member (including any capital contributions made by such Member under this Section), plus such Member's pro-rata share of the Company's earnings before interest, income taxes, depreciation and amortization (calculated as of the end of the most recent month), less all pro-rata distributions (as described in Section 5.01(a) and the pro-rata distribution portion of Section 5.02(c) of this LLC Agreement) to such Member by (B) three times the

Target Amount, plus all pro-rata capital contributions (as described in Section 4.02 of this LLC Agreement) by the Members (including any capital contributions made by the Members under this Section), plus the Company's earnings before interest, income taxes, depreciation and amortization (calculated as of the end of the most recent month), less all pro-rata distributions (as described in Section 5.01(a) and the pro-rata distribution portion of Section 5.02(c) of this LLC Agreement) to the Members. This formula shall apply only to such items described in subsections (A) and (B) of this Section 4.06(b)(iii) that have occurred since the Commencement Date.

(c) Each Member grants to the Company and to each Lending Member with respect to any Obligation and Loan Costs owed to such Lending Member by that Member as a Delinquent Member pursuant to Section 4.06(a)(i), as security, equally and ratably, a security interest in its Membership Interest and the proceeds thereof, all under the Uniform Commercial Code of the State of Delaware. The security interest secures the payment of all capital contributions such Member has agreed to make and the payment of any Obligation and Loan Costs owed to a Lending Member by such Member as a Delinquent Member pursuant to Section 4.06(a)(i). On any default in the payment of a capital contribution or in the payment of any Obligation or Costs, the Company or the Lending Member, as applicable, is entitled to all the rights and remedies of a secured party under the Uniform Commercial Code of the State of Delaware with respect to the security interest granted in this Section 4.06(c). Each Member shall execute and deliver to the Company and the Lending Member, as applicable, all financing statements and other instruments that the Company or the Lending Member, as applicable, may request to effectuate and carry out the preceding provisions of this Section 4.06(c). At the option of the Company or Lending Member, as applicable, this LLC Agreement or a carbon, photographic, or other copy thereof may serve as a financing statement.

ARTICLE V

Distributions

SECTION 5.01. Distributions. (a) No later than thirty (30) days after the end of each Fiscal Quarter (starting with the Fiscal Quarter in which the Commencement Date occurs) during each Fiscal Year, the Company shall distribute to the Members (the date of such distribution being a

"Distribution Date"), in accordance with their Percentage Interests (except as provided in Section 5.03), an amount in cash equal to the Distributable Cash of the Company and its subsidiaries, such amount determined as of the last day of such Fiscal Quarter.

(b) The Company shall prepare and distribute to each Member, within twenty-five (25) days after the end of each Fiscal Quarter, a statement (a "Distributions Calculation Statement") setting forth the calculations used by the Company in determining distributions pursuant to Section 5.01(a) of (i) the amount of Distributable Cash for such Fiscal Quarter; and (ii) the allocation of such Distributable Cash between the Members.

(c) Notwithstanding anything to the contrary in this LLC Agreement, any agreement reached between the Members to distribute cash in respect of a Fiscal Quarter in amounts which differ from the amounts which would be distributed using the methodology set forth in Section 5.01(a) shall not alter or waive in any manner the obligations of the Company to prepare and deliver the Distributions Calculation Statement as set forth in Section 5.01(b) above, and after any such agreement has been reached, the Company shall continue to prepare and deliver such Distributions Calculation Statement with respect to each subsequent Fiscal Quarter as if no such agreement had been reached.

SECTION 5.02. Non-Pro Rata Distributions Upon Construction and Long Term Loan Fundings. (a) Pursuant to Section 9.4 of the Formation Agreement, it is contemplated that the funding of the Construction Debt will occur on the Formation Date. Each of the Members will receive a non-pro rata distribution from the Company of a portion of the proceeds from the first draw under the Construction Debt. The amount of such distribution to each Member will be determined and made in accordance with Section 7.8(c) of the Formation Agreement.

(b) Pursuant to Section 2.5(a) of the Formation Agreement, it is contemplated that the funding of the Long Term Debt will occur on or about the Commencement Date. Thereafter as more fully provided herein, each of the Members will either receive a non-pro rata distribution from the Company, or make a non-pro rata contribution to the Company. The amount of such distribution or contribution will be determined in accordance with Section 11.5 of the Formation Agreement. Any such

non-pro rata capital contribution shall be made within five (5) Business Days after the Board of Managers approves the calculations required to be made pursuant to Section 11.5 of the Formation Agreement. Non-pro rata distributions, if any, to PEPL or TEPPCO shall be made within five (5) Business Days of the Company's receipt of the proceeds of the Long Term Debt. Non-pro rata distributions to MAP shall be made at the times and in the annual amounts set forth below in Section 5.02(c).

(c) MAP will receive a non-pro rata distribution from the Company in the amount of Five Million Dollars ($5,000,000) plus an amount determined in accordance with Section 11.5 of the Formation Agreement (the total being the "MAP Distribution Amount"). At the end of each Fiscal Year, the Company will determine its total Distributable Cash. To the extent that the total Distributable Cash exceeds the target cash amounts (the "Target Cash") as set forth below, the Company will distribute to MAP an equivalent amount up to Two Million Five Hundred Thousand Dollars ($2,500,000) as a non-pro rata distribution. Additional Distributable Cash above the $2,500,000 will be distributed pro rata to the Members in accordance with their Percentage Interests until an additional One Million Five Hundred Thousand Dollars ($1,500,000) has been distributed for any year. Any additional Distributable Cash above the $4,000,000 will be distributed non-pro rata to MAP. Such non-pro rata distributions will be made on the Distribution Date for the fourth (4th) Fiscal Quarter for each Fiscal Year and will be applied to reduce the MAP Distribution Amount until the entire MAP Distribution Amount has been distributed to MAP. Provided however, that if the entire MAP Distribution Amount has not been paid by the distribution for the fifth Fiscal Year, the Company will make a payment to MAP on such date of the difference between the MAP Distribution Amount and the payments made therefor prior to such date. The Members agree that the Company may enter into such financial arrangements as may be necessary to make such payment, including a non-pro rata cash call to the Members other than MAP. The method of funding such payment will be decided by the Members other than MAP; provided that such method will not be detrimental to MAP, and provided further that borrowing such amount by the Company is an acceptable arrangement. The Target Cash for the first five (5) Fiscal Years will be equal to the amounts shown in the line marked "Pretax Cash Flow and CapEx" in the base case economic model for the Company calculated in accordance with the form shown as Schedule 5.02(c). It is agreed that

such model will be recalculated on the Commencement Date to derive the actual Target Cash to be used for making the distributions prescribed in this Section 5.02(c). In such recalculation, only the value for lines marked "Long Term + WC + DSRF Interest" "Principal Payments on Project Debt" and "Expansion Capital Investment" may be changed. If in any Fiscal Year funds for Expansion Capital Investments are expended, the Target Cash amount for that Fiscal Year will be adjusted by the net amount of such expenditures as compared to the amounts shown in the "Expansion Capital Investment" line of the model as recalculated on the Commencement Date. To the extent that the Company has insufficient funds on a Distribution Date to make a required non-pro rata distribution to MAP in any of the first four Fiscal Years described in this Section 5.02(c), then the Company shall issue a call for capital contributions, without a vote, to the Members in a sufficient amount to make such payments.

SECTION 5.03. Certain General Limitations. (a) Notwithstanding any provision to the contrary contained in this LLC Agreement, the Company, and the Board of Managers on behalf of the Company, shall not make a distribution to any Member with respect to such Member's Membership Interest if such distribution would violate Section 18-607 of the Delaware Act or other applicable law.

(b) Notwithstanding any other provision of this Article V, all amounts distributed to the Members in connection with a dissolution of the Company or the sale or other disposition of all or substantially all the assets of the Company that results in a dissolution of the Company, shall be distributed in accordance with Section 14.03.

SECTION 5.04. Distributions in Kind. The Company shall not distribute to the Members any assets in kind unless approved by the Board of Managers. If cash and property in kind are to be distributed simultaneously, the Company shall distribute such cash and property in kind in the same proportion to each Member, unless otherwise approved by the Board of Managers. For purposes of determining amounts distributable to Members under Section 5.01, for purposes of determining Profit and Loss under Section 6.02, for purposes of making adjustments to Capital Accounts under Article IV and for purposes of allocations under Article IV, any property to be distributed in kind shall have the Agreed Value assigned to such property by the Board of Managers and such Agreed Value shall be

deemed to be part of and included in Distributable Cash for purposes of determining distributions to the Members under this LLC Agreement.

ARTICLE VI

Allocations and Other Tax Matters

SECTION 6.01. Allocations for Capital Account Purposes. (a) Except as otherwise provided herein or unless another allocation is required by Treasury Regulations issued under Section 7.04(b) of the Code, Profit and Loss for any Fiscal Year shall be allocated among the Members in proportion to their respective Percentage Interests.

(b) Notwithstanding the provisions of Section 6.01(a), if upon the dissolution and liquidation of the Company, the ratio of the balances of the Members' Capital Accounts is not equal to the Percentage Interests, gain or loss resulting from the sale of the Company's assets shall be allocated to cause the ratio of the Capital Account balances to be equal to the Percentage Interests (or to be as close thereto as possible if there is insufficient gain or loss to cause them to be equal to the Percentage Interests).

(c) Notwithstanding the provisions of Section 6.01(a), all depreciation and amortization or cost recovery deductions shall be allocated as follows:

(i) Depreciation, amortization or cost recovery of the portion of the Carrying Value of a Contributed Property, or an Adjusted Property that was formerly a Contributed Property, attributable to the original Agreed Value of such property will be allocated to the Member that contributed the Contributed Property. For purposes of this Section 6.01(c)(i), a transferee of a Membership Interest shall succeed to the transferor's portion of any depreciation, amortization or cost recovery deduction allocations attributable to such Membership Interest.

(ii) Depreciation, amortization or cost recovery with respect to assets acquired, purchased or constructed by the Company and capital improvements to a Contributed Property funded,

in either case, by non-pro rata capital contributions of one or more Members will be allocated to the Members and in the same proportion that the costs with respect to the purchase, creation or capital improvement were borne by the Members. For purposes of this Section 6.01(b)(ii), a transferee of a Membership Interest shall succeed to the transferor's portion of any depreciation, amortization or cost recovery deduction allocations attributable to such Membership Interest.

(iii) Depreciation, amortization or cost recovery of the portion of the Carrying Value of Company property attributable to an adjustment to such Carrying Value made pursuant to Section 4.03(e) shall be allocated to the Members in the same ratio as such adjustment is allocated pursuant to Section 4.03(e). For purposes of this Section 6.01(b)(iii), a transferee of a Membership Interest shall succeed to the transferor's portion of any depreciation, amortization or cost recovery deduction allocations attributable to such Membership Interest.

(d) Except as otherwise provided in this Agreement or in any Transaction Document, any Tax deduction or loss reflected on a Tax return, report or other Tax filing by the Company, attributable to (i) payments made or costs incurred by a Member, (ii) payments made or costs incurred by the Company and reimbursed or to be reimbursed by a Member and (iii) payments made or costs incurred by the Company and not shared among the Members based on their Percentage Interests, shall be allocated among the Members to take into account the amounts paid, incurred, reimbursed or shared by each.

(e) Special Allocations. Notwithstanding any other provisions of this Section 6.01, the following special allocations shall be made for each taxable period:

(i) Company Minimum Gain Chargeback. Notwithstanding any other provision of this Section 6.01, if there is a net decrease in Company Minimum Gain during any Company taxable period, each Member shall be allocated items of Company income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation Section 1.704-2(f)(6), (g)(2), and (j)(2)(i). For purposes of this Section 6.01(e), each Member's Capital Account 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 6.01(e), with respect to such taxable period.

This Section 6.01(e)(i) is intended to comply with the Company Minimum Gain chargeback requirement in Treasury Regulation Section 1.704-2(f) and shall be interpreted consistently therewith.

(ii) Member Nonrecourse Debt Minimum Gain. Notwithstanding the other provisions of this Section 6.01 (other than (i) above), if there is a net decrease in Member Nonrecourse Debt Minimum Gain during any Company taxable period, any Member with a share of Member Nonrecourse Debt Minimum Gain at the beginning of such taxable period shall be allocated items of Company income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation Section 1.704-2(i)(4) and (j)(2)(ii). For purposes of this Section 6.01, each Member's Adjusted Capital Account balance shall be effected, prior to the application of any other allocations pursuant to this Section 6.01, other than (i) above, with respect to such taxable period. This Section 6.01(e)(ii) is intended to comply with the chargeback of items of income and gain requirement in Treasury Regulation Section 1.704-2(i)(4) and shall be interpreted consistently therewith.

(iii) Qualified Income Offset. Except as provided in (i) and (ii) above, in the event any Member unexpectedly receives any adjustments, allocations or distributions described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6), items of Company income or gain shall be specifically allocated to such Member in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulation, the deficit balance, if any, in its Adjusted Capital Account created by such adjustments, allocations or distributions as quickly as possible until such deficit balance is otherwise eliminated pursuant to (i) or (ii) above.

(iv) Gross Income Allocation. In the event either PEPL or TEPPCO has a deficit balance in its Adjusted Capital Account at the end of any Company taxable period, such Member shall be specially allocated items of Company gross income and gain in the amount of such excess as quickly as possible; provided, that an allocation pursuant to this Section 6.01(e)(iv) shall be made only if and to the extent that such Member would have a deficit balance in its Adjusted Capital Account after all other allocations provided in this Section 6.01(e) have been tentatively made as if this Section 6.01(e)(iv) was not in this Agreement. If the Company is liquidated and MAP has a deficit balance in its Adjusted Capital Account after taking into account all adjustments thereto but prior to the distributions under

section 14.03 of this LLC Agreement, MAP shall contribute capital to the Company in an amount sufficient to eliminate such deficit by the end of the tax year in which the liquidation occurred (or, if later, within ninety (90) days after the date of such liquidation).

(v) Allocation of Nonrecourse Deductions. Nonrecourse Deductions for any taxable period shall be allocated to the Members in accordance with their respective Membership Interest in the Company.

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

SECTION 6.02. Tax Allocations. (a) For income tax purposes only, each item of income, gain, loss, deduction and credit of the Company as determined for income tax purposes shall be allocated between the Members in accordance with the corresponding allocation in Section 6.02, subject to the requirements of Section 704(c) of the Code.

(b) The Members acknowledge and agree that Section 704(c) shall be applied using the so-called "traditional method" set forth in Treasury Regulation Section 1.704-3(c). Allocations of income, gain, loss or deduction shall, to the extent possible, have substantially the same effect on each Member's Federal income tax liability as the item of income, gain, loss or deduction for which allocation is limited.

(c) Items described in this Section 6.02 shall neither be credited nor charged to the Members' Capital Accounts.

SECTION 6.03. Tax Elections. (a) The Members intend that the Company be treated as a partnership for Federal income tax purposes. Accordingly, neither the Tax Matters Member nor any Member shall file any election or return on its own behalf or on behalf of the Company that is inconsistent with that intent.

(b) Any elections or other decisions relating to tax matters that are not expressly provided for herein, including the determination of the fair market value of Contributed Property and the decision to adjust the Capital Accounts to reflect the fair market value of the Company's assets upon the occurrence of any event specified in Treasury Regulation Section 1.704-1(b)(2)(iv)(f), shall be made jointly by the Members in any manner that reasonably reflects the purpose and intention of this Agreement.

SECTION 6.04. Fiscal Year. The fiscal year (the "Fiscal Year") of the Company for tax and accounting purposes shall be the 12-month (or shorter) period ending on the last day of December of each year.

SECTION 6.05. Tax Returns. (a) The Company shall cause to be prepared and timely filed all Federal, state and local income tax returns and reports required to be filed by the Company and its subsidiaries. The Company shall provide copies of all the Company's Federal, state and local tax returns (and any schedules or other required filings related to such returns) that reflect items of income, gain, deduction, loss or credit that flow to separate Member returns, to the Members for their review and comment prior to filing, except as otherwise agreed by the Members. The Members agree in good faith to resolve any difference in the tax treatment of any item affecting such returns and schedules. However, if the Members are unable to resolve the dispute, the position of the Tax Matters Member shall be followed if nationally recognized tax counsel acceptable to all Members provides an opinion that substantial authority exists for such position. Substantial authority shall be given the meaning ascribed to it in Code Section 6662. If the Members are unable to resolve the dispute prior to the due date for filing the return, including approved extensions, the position of the Tax Matters Member shall be followed, and amended returns shall be filed if necessary at such time the dispute is resolved. The costs of the dispute shall be borne by the Company. The Members agree to file their separate Federal income

tax returns in a manner consistent with the Company's return, the provisions of this Agreement and in accordance with applicable Federal income tax law.

(b) The Company shall elect the most rapid methods of tax depreciation and amortization allowed under applicable law unless the Board of Managers agrees otherwise.

(c) The Members shall provide each other with copies of all correspondence or summaries of other communications with the Internal Revenue Service or any state, local or foreign taxing authority (other than routine correspondence and communications) regarding the tax treatment of the Company's operations. No Member shall enter into settlement negotiations with the Internal Revenue Service or any state, local or foreign taxing authority with respect to any issue concerning the Company's income, gains, losses, deductions or credits if the tax adjustment attributable to such issue (assuming the then current Aggregate Tax Rate) would be Five Hundred Thousand Dollars ($500,000), or greater, without first giving reasonable advance notice of such intended action to the other Member.

SECTION 6.06. Tax Matters Member. (a) Initially, MAP shall be the "Tax Matters Member" of the Company within the meaning of Section 6231(a)(7) of the Code, and shall act in any similar capacity under state or local law, but only with respect to returns for which items of income, gain, loss, deduction or credit flow to the separate returns of the Members. In the event of a transfer of any Member's Membership Interest in the Company, the Tax Matters Member shall be the Member with the largest Percentage Interest following such transfer, unless otherwise agreed by the Members.

(b) The Tax Matters Member shall incur no liability (except as a result of the gross negligence or willful misconduct of the Tax Matters Member) to the other Members including, but not limited to, liability for any additional taxes, interest or penalties owed by the other Members due to adjustments of Company items of income, gain, loss, deduction or credit at the Company level.

SECTION 6.07. Duties of Tax Matters Member. (a) Except as provided in Section 6.07(b), the Tax Matters Member shall cooperate with the other Members and shall promptly provide the other Members with copies of notices or other materials from, and inform the other

Members of discussions engaged in with, the Internal Revenue Service or any state, local or foreign taxing authority and shall provide the other Members with notice of all scheduled administrative proceedings, including meetings with agents of the Internal Revenue Service or any state, local or foreign taxing authority, technical advice conferences, appellate hearings, and similar conferences and hearings, as soon as possible after receiving notice of the scheduling of such proceedings, but in any case prior to the date of such scheduled proceedings.

(b) The duties of the Tax Matters Member under Section 6.07(a) shall not apply with respect to notices, materials, discussions, proceedings, meetings, conferences, or hearings involving any issue concerning the Company's income, gains, losses, deductions or credits if the tax adjustment attributable to such issue (assuming the then current Aggregate Tax Rate) would be less than Five Hundred Thousand Dollars ($500,000) except as otherwise required under applicable law.

(c) The Tax Matters Member shall not file a petition or complaint in any court, or file any claim, amended return or request for an administrative adjustment with respect to partnership items, after any return has been filed, with respect to any issue concerning the Company's income, gains, losses, deductions or credits if the tax adjustment attributable to such issue (assuming the then current Aggregate Tax Rate) would be Five Hundred Thousand Dollars ($500,000) or greater, unless agreed by the other Members. If the other Members do not agree, the position of the Tax Matters Member shall be followed if nationally recognized tax counsel acceptable to all Members issues an opinion that a reasonable basis exists for such position. Reasonable basis shall be given the meaning ascribed to it for purposes of applying Code Section 6662. The costs of the dispute shall be borne by the Company.

(d) The Tax Matters Member shall not enter into any settlement agreement with the Internal Revenue Service or any state, local or foreign taxing authority, either before or after any audit of the applicable return is completed, with respect to any issue concerning the Company's income, gains, losses, deductions or credits, unless any of the following apply:

(i) all Members agree to the settlement;

(ii) the tax effect of the issue if resolved adversely would be, and the tax effect of settling the issue is, proportionately the same for all Members (assuming each otherwise has substantial taxable income);

(iii) the Tax Matters Member determines that the settlement of the issue is fair to all Members and the amount of the tax adjustment attributable to such issue (assuming the then current Aggregate Tax Rate) would be less than Five Hundred Thousand Dollars ($500,000).

(e) The Tax Matters Member may request extensions to file any tax return or statement without the written consent of, but shall so inform, the other Members.

SECTION 6.08. Survival of Provisions. The provisions of this Agreement regarding the Company's tax returns and Tax Matters Member shall survive the termination of the Company and the transfer of any Member's Membership Interest in the Company and shall remain in effect for the period of time necessary to resolve any and all matters regarding the Federal, state, local and foreign taxation of the Company and items of Company income, gain, loss, deduction and credit.

SECTION 6.09. Section 754 Election. In the event that a Member or transferee purchases the Membership Interest of a Selling Member pursuant to Section 10.04, the purchasing Member or transferee shall have the right to direct the Tax Matters Member to make an election under Section 754 of the Code. The purchasing Member or transferee shall pay all costs incurred by the Company in connection with such election, including any costs borne by the Company to maintain records required as a result of such election. The purchasing Member or transferee, at its option and expense, may maintain on behalf of the Company any records required as a result of such election.

ARTICLE VII

Books and Records

SECTION 7.01. Books and Records; Examination. The Board of Managers shall keep or cause to be kept such books of account and records with respect to the Company's business as they may deem appropriate. Each Member and its duly authorized representatives shall have the right at any time to examine, or to appoint independent certified public accountants (the fees of which shall be paid by such Member) to examine, the books, records and accounts of the Company and its subsidiaries. The foregoing sentence notwithstanding, following the Commencement Date a Member shall not commence any such examination within two (2) years following completion of a prior examination commenced by such Member. The Company's books of account shall be kept using the method of accounting determined by the Board of Managers. The "Company Independent Auditors" shall be an independent public accounting firm selected by the Board of Managers, and shall initially be PricewaterhouseCoopers.

SECTION 7.02. Financial Statements and Reports. (a) Unaudited Monthly Financial Statements. The Company shall prepare and send to each Member promptly, but in no event later than noon on the 20th Business Day after the last day of each month, the following unaudited financial statements with respect to the Company and its subsidiaries: a balance sheet, a statement of operations, a statement of cash flows and a statement of changes in capital (collectively, "Unaudited Financial Statements") as at the end of and for such month.

(b) Unaudited Quarterly Financial Statements. The Company shall prepare and send to each Member promptly, but in no event later than the 30th day after the last day of each Fiscal Quarter, Unaudited Financial Statements as at the end of and for such Fiscal Quarter.

(c) Audited Annual Financial Statements. Within 75 days after the end of each Fiscal Year, the Board of Managers shall cause (i) an examination to be made, at the expense of the Company, by the Company Independent Auditors, covering (A) the assets, liabilities and capital of the Company and its subsidiaries, and the Company's and its subsidiaries' operations during such Fiscal Year, and

(B) all other matters customarily included in such examinations and (ii) to be delivered to each Member a copy of the report of such examination, stating that such examination has been performed in accordance with generally accepted auditing standards, together with the following financial statements with respect to the Company and its subsidiaries certified by such accountants as having been prepared in accordance with GAAP: a balance sheet, a statement of operations, a statement of cash flows and a statement of changes in capital as at the end of and for such Fiscal Year (collectively, the "Audited Financial Statements").

(d) Final Annual Capital Account Schedule. The Company shall prepare and send to each Member promptly, but in no event later than the 15th day after the date the Company files its Federal income tax return with respect to each Fiscal Year, a schedule showing the respective Capital Accounts of the Members based on the Company's actual Profits and Losses for such Fiscal Year.

(e) Other Financial Information. The Company shall prepare and send to each Member promptly such other financial information as a Member shall from time to time reasonably request.

ARTICLE VIII

Management of the Company

SECTION 8.01. Management. The business and affairs of the Company shall be managed by the Members' respective representatives ("Representatives") on a board of managers (the "Board of Managers"). The Representatives shall be deemed "managers" of the Company within the meaning of the Delaware Act. Except as otherwise expressly provided in this LLC Agreement or as required by the Delaware Act, all management powers over the business and affairs of the Company shall be exclusively vested in the Board of Managers, and no Member shall have the power unilaterally to bind the Company or any of its subsidiaries.

SECTION 8.02. Board of Managers. (a) The Board of Managers shall consist of three (3) Representatives, each of whom shall be entitled to vote, one of whom shall be designated by each Member. In addition, each Member shall designate an alternate representative ("Alternate

Representative") who shall have the capacity to act in place of that Member's Representative in such person's absence. In the event of a Transfer by a Member of its entire Membership Interest pursuant to Article X, effective at the time of such Transfer, (i) such Member's Representative shall automatically be removed from the Board of Managers and (ii) the transferee of such Membership Interest shall be permitted to designate a Representative and an Alternative Representative to the Board of Managers. Such transferee shall promptly notify the other Members as to the names of the Persons who such transferee has designated as its Representative and Alternate Representative on the Board of Managers.

(b) Each Representative and Alternate Representative may be removed and replaced, with or without cause, at any time by the Member designating him or her, but, except as provided in Section 8.02(a), may not be removed or replaced by any other means. A Member who removes its Representative or Alternate Representative from the Board of Managers shall promptly notify the other Members as to the names of its replacements.

SECTION 8.03. Meetings. (a) Except as set forth in Section 8.03(h), all actions of the Board of Managers shall be taken at meetings of the Board of Managers in accordance with this Section 8.03.

(b) As soon as practicable after the appointment of the Representatives, the Board of Managers shall meet for the purpose of organization, the election of officers and the transaction of other business.

(c) Regular meetings of the Board of Managers shall be held at such times as the Board of Managers shall from time to time determine, but no less frequently than once in each Fiscal Quarter; provided that an annual meeting of the Board of Managers (which annual meeting shall count as one of the regular quarterly meetings) shall be held no later than June 30 of each Fiscal Year.

(d) Special meetings of the Board of Managers shall be held whenever called by any Representative. Any and all business may be transacted at a special meeting that may be transacted at a regular meeting of the Board of Managers.

(e) The Board of Managers may hold its meetings at such place or places as the Board of Managers may from time to time by resolution determine or as shall be designated in the respective notices or waivers of notice thereof.

(f) Notices of regular meetings of the Board of Managers or of any adjourned meeting shall be given at least two weeks prior to such meeting, unless otherwise agreed by each Representative. Notices of special meetings of the Board of Managers shall be mailed by the Secretary to each member of the Board of Managers addressed to him or her at his or her usual place of business, so as to be received at least two Business Days before the day on which such meeting is to be held, or shall be sent to him or her by telegraph, cable, facsimile or other form of recorded communication or be delivered personally, by overnight courier or by telephone so as to be received not later than two Business Days before the day on which such meeting is to be held. Such notice shall include the purpose, time and place of such meeting and shall set forth in reasonable detail the matters to be considered at such meeting. However, notice of any such meeting need not be given to any member of the Board of Managers if such notice is waived by him or her in writing or by telegraph, cable, facsimile or other form of recorded communication, whether before or after such meeting shall be held, or if he or she shall be present at such meeting.

(g) Action by Communication Equipment. The members of the Board of Managers may participate in a meeting of the Board of Managers by means of video or telephonic conferencing or similar communications equipment by means of which all Persons participating in the meeting can hear each other, and such participation shall constitute presence in person at such meeting.

(h) Unanimous Action by Written Consent. Any action required or permitted to be taken at any meeting of the Board of Managers may be taken without a meeting if all the Representatives consent thereto in writing and such writing is filed with the minutes of the proceedings of the Board of Managers.

(i) Organization. Meetings of the Board of Managers shall be presided over by a chair, who will be a member of the Board of Managers selected by a majority of the Board of Managers. The Secretary of the Company or, in the case of his or her absence, any person whom the person presiding over the meeting shall appoint, shall act as secretary of such meeting and keep the minutes thereof.

SECTION 8.04. Compensation. Unless the Members otherwise agree, no Person shall be entitled to any compensation from the Company in connection with his or her services as a Representative.

SECTION 8.05. Quorum. (a) Quorum for Super Majority Decisions. At all meetings of the Board of Managers, the quorum required for the transaction of any business that constitutes a Super Majority Decision shall be the presence, either in person or by proxy, of the Representative or Alternative Representative of each Member.

(b) Quorum for Other Decisions. At all meetings of the Board of Managers, the quorum required for the transaction of any business that does not constitute a Super Majority Decision shall be the presence, either in person or by proxy, of a majority of all the Representatives (or Alternate Representatives) on the Board of Managers.

SECTION 8.06. Voting. (a) General. Each Representative, or in his or her absence, the Member's Alternate Representative, shall be entitled to cast one vote on all matters coming before the Board of Managers. In exercising their voting rights under this Agreement, the Representatives may act by proxy.

(b) Super Majority Decisions. All Super Majority Decisions to be decided by the Board of Managers shall be approved by the affirmative vote equal to seventy-five percent (75%) or more of the Percentage Interests in the Company cast by the Representatives (or Alternate Representatives) who are present, either in person or by proxy, at a duly called meeting of the Board of Managers at which a quorum for Super Majority Decisions is present.

(c) Other Decisions. All matters other than Super Majority Decisions to be decided by the Board of Managers shall be approved by the affirmative vote of a majority (i.e., greater than 50%) of the Percentage Interests in the Company cast by the Representatives (or Alternate Representatives) who are present, either in person or by proxy, at a duly called meeting of the Board of Managers at which a quorum is present. However, for an amendment of a division agreement or for the approval of a decrease in the Company division of any existing tariff rate, PEPL must concur therein, provided that at such time as PEPL or its Affiliates owns an interest in a pipeline that is in competition with the Company, this provision shall not apply.

SECTION 8.07. Matters Constituting Super Majority Decisions. Subject to the provisions of Section 8.06(b), each of the following matters, and only the following matters, shall constitute a "Super Majority Decision" which requires the approval of the Board of Managers pursuant to Section 8.06(b):

(a) Any reorganization, merger, consolidation or similar transaction between (i) the Company or any subsidiary and (ii) any Person (other than a direct or indirect wholly owned subsidiary of the Company, provided that such action does not alter the then current income tax characteristics of the Company) or any sale or lease of all or substantially all of the Company's assets to any Person (other than a direct or indirect wholly owned subsidiary of the Company);

(b) The admission of a new Member or the issuance of any additional Membership Interest or other equity interests to any Person, including any existing Member, or any other transaction or series of transactions having the effect of changing a Member's Percentage Interest (other than as a result of a Transfer of an existing Member's Membership Interest pursuant to Article X or Section 4.06);

(c) Amendment or termination of this Agreement;

(d) Amending the Company Leverage Policy, set forth in Section 8.10; incurring any Indebtedness in excess of the limits set forth in Section 8.10(c)(ii);

(e) The engagement by the Company in any business other than the ownership and operation of the Centennial Line;

(f) Subject to Section 6.07, the initiation or settlement of any litigation, arbitration or other legal proceedings on behalf of the Company relating to a matter involving a cost to the Company in excess of $1,000,000;

(g) Capital Expenditures in excess of $15,000,000, excluding the phased expansion of the Centennial Line (such phased expansion consisting of the increase in average daily throughput to at least three hundred twenty thousand barrels per day (320,000 bpd);

(h) The establishment of new tariff rates and the establishment of the Company's division of any new tariff rates, other than those listed on Schedule 11.4(a) to the Formation Agreement or as may be required by FERC regulation or order;

(i) Settlement of any FERC proceedings;

(j) Initiation, compromise or settlement of any litigation involving any Member of the Company, provided that in such instance the vote of the Member named in such litigation shall not be considered in determining the percentage required for a Super Majority Decision;

(k) Establishment of any connections to the Centennial Line, including any extensions or laterals and any terminals, other than (i) the connections needed for movements on the Marathon Ashland Pipe Line LLC system at points on the Centennial Line in Illinois, (ii) the connections needed for movements on the TEPPCO system at Creal Springs, Illinois; and (iii) in addition to the connections specified in clause (i) and (ii) above, the connections and terminal facilities located along the Centennial Line for throughput volumes at such terminals of up to 105,000 barrels per day; and

(l) The requirement that the Members make capital contributions in excess of $3,000,000 per Member per Fiscal Year, other than those described in Articles IX and XI of the Formation Agreement or Section 8.15 of this LLC Agreement.

SECTION 8.08. Annual Capital Budget. (a) In Fiscal Year 2000 and in each Fiscal Year thereafter, the Company shall timely prepare or cause to be prepared a draft capital budget (the "Draft Annual Capital Budget") for the following Fiscal Year, which shall set forth in reasonable line item detail the proposed Capital Expenditures of the Company and its subsidiaries for such following Fiscal Year. Copies of the Draft Annual Capital Budget shall be provided to each Member and to the Board of Managers. No later than the last regular meeting of the Board of Managers for a Fiscal Year, the Officers shall present to the Board of Managers the Draft Annual Capital Budget for the following Fiscal Year for the Board of Managers' review, consideration and approval, with such additions, deletions and changes thereto as the Board of Managers shall deem necessary. Upon its approval by the Board of Managers (and taking into account any additions, deletions or other changes deemed necessary by the Board of Managers) the Draft Annual Capital Budget for a Fiscal Year shall become the "Annual Capital Budget" for such Fiscal Year.

(b) In Fiscal Year 2001 and in each Fiscal Year thereafter, no later than August 30 of each such Fiscal Year, the Board of Managers shall review the Annual Capital Budget for such Fiscal Year and shall make such additions, deletions and changes thereto as the Board of Managers shall deem necessary.

SECTION 8.09. Business Plan. In Fiscal Year 2000 and in each Fiscal Year thereafter, the Company shall timely prepare or cause to be prepared a draft business plan (the "Draft Business Plan") for the next three Fiscal Years. Copies of the Draft Business Plan shall be provided to each Member and to the Board of Managers. No later than the last regular meeting of the Board of Managers for a Fiscal Year, the Officers shall present to the Board of Managers the Business Plan for their review, consideration and approval, with such additions, deletions and changes thereto as the Board of Managers shall deem necessary. Upon its approval by the Board of Managers (and taking into account any such

additions, deletions or other changes deemed necessary by the Board of Managers), the Draft Business Plan for a Fiscal Year shall become the "Business Plan" for such Fiscal Year.

SECTION 8.10 Leverage Policy. For purposes of this Agreement the leverage policy of the Company shall be based upon the following general principles (the "Company Leverage Policy"):

(a) The Company and its subsidiaries intend to operate without financial leverage, either on balance sheet (through indebtedness) or off balance sheet (through lease programs, receivable financing programs or similar financing methods), other than the principal amount from time to time outstanding and any accrued interest due and owing on the Construction Debt or the long term debt. The long term debt (the "Long Term Debt") will be the permanent project funding for the ownership and operation of the Company. It will normally consist of the principal and interest due on debt instruments whether as secured or unsecured promissory notes, loans, bonds or similar instruments, with the Lenders and any renewals, roll-overs or re-fundings thereof;

(b) The Company and its subsidiaries intend to have available one or more revolving credit facilities, uncommitted money market credit facilities or other comparable debt facilities in such amount to provide adequate liquidity to fund the normal operation of the Company; and it is intended that the Company and its subsidiaries promptly repay any amounts borrowed under such facilities at the time of and to the extent of, any collected or available cash balances;

(c) In furtherance of the principles enunciated in Sections 8.10(a) and 8.10(b), the Company and its subsidiaries shall not, without the unanimous consent of the Members, incur any indebtedness other than (i) borrowings under one or more revolving credit facilities, uncommitted money market credit facilities or other comparable debt facilities in reasonable amounts to fund cash deficiencies; and (ii) borrowings under the Construction Debt or the Long Term Debt, in an amount not to exceed $150,000,000 in the aggregate.

SECTION 8.11. Company Investment Guidelines. The Company and its subsidiaries will invest surplus cash in accordance with the following general principles (the "Company Investment Guidelines"):

(a) Funds which are deemed to be surplus by the operator of the Company pursuant to the Operating Agreement shall be invested in money market instruments. Surplus funds shall always be invested with safety of principal and liquidity foremost in mind. Yield is important but secondary to safety and liquidity considerations; and

(b) Eligible investment types shall include commercial paper, certificates of deposit, time deposits, and repurchase agreements.

SECTION 8.12. Requirements as to Operating Leases. The Company and its subsidiaries shall not enter into any operating lease (as determined in accordance with GAAP) if the purpose or intent of entering into such operating lease is to circumvent the Company Leverage Policy or the super majority voting requirement for Capital Expenditures of the Company set forth in Section 8.07(g).

SECTION 8.13. Limitations on Actions Relating to the Calculation of Distributable Cash. Notwithstanding anything to the contrary contained in this Agreement, the Company shall not, without the unanimous consent of the Members, and shall cause its subsidiaries not to (a) modify, alter or amend the Company Investment Guidelines, (b) accelerate the payment of the Company's and its subsidiaries' accounts payable, (c) delay the collection of the Company's and its subsidiaries' accounts receivable or (d) take any other action, if the purpose or intent of such action is to reduce the amount of Distributable Cash in a manner that is inconsistent with the intent of the Members to maximize the amount of Distributable Cash distributions to the Members.

SECTION 8.14. Reliance by Third Parties. Persons dealing with the Company are entitled to rely conclusively upon the power and authority of the Board of Managers herein set forth.

Except as provided in this Agreement, no Officer, Representative, Alternate Representative, or any Member shall have any authority to bind the Company or any of its subsidiaries.

SECTION 8.15. Approval of Emergency Expenditures. Notwithstanding any provisions of this LLC Agreement to the contrary, in the event of emergency, the Members authorize the Officers to make such expenditures they deem necessary to keep the Centennial Line operating, to restore the Centennial Line to operating condition or to minimize damages. Further, the Company is authorized to issue a call, without vote, for immediate capital contributions from each of the Members in such amounts as may be necessary or prudent to pay for such expenditures.

SECTION 8.16. Business Opportunities. Nothing in this LLC Agreement shall restrict the rights of the Members to compete, and the Members are expressly permitted to compete, with the business activities of the Company; provided however, that this Section shall not relieve the Representatives or Alternate Representatives of their duties set forth herein. The Members have no obligation to bring business opportunities, whether of a nature similar to the Company's activities or otherwise, to the Company.

SECTION 8.17 Confidential Information. No officer, director, or employee of any Member, other than its Representative or Alternate Representative on the Board of Managers, shall receive or have access to any Confidential Information of another Member, or use or otherwise disclose any Confidential Information received by the Company or another Member, except for the purposes of evaluating and implementing the transactions contemplated by this Agreement. Such Representatives or Alternate Representative may make periodic reports to the officers and boards of directors of their respective Members on a "need to know" basis, provided that no customer-specific prices, cost of pricing formulas, descriptions of customer negotiations, or marketing and strategic plans of the Company or another Member are disclosed. For the purposes of this Section 8.17, "Confidential Information" means competitively sensitive or proprietary information not independently known to a Member from sources other than the Member to which the information pertains. "Confidential Information" includes, but is not limited to, cost information, shipper information (including volume and grade), trade secrets, contract terms, price information, and strategic or marketing methods or plans.

ARTICLE IX

Officers

SECTION 9.01. (a) Election, Appointment and Term of Office. The officers of the Company (the "Officers") shall initially consist solely of: a President; two Vice Presidents; an officer who shall serve as treasurer of the Company; and an officer who shall serve as secretary of the Company. Schedule 9.01(a) sets forth a list of (i) the persons who shall serve initially as the Officers of the Company, (ii) the office for which each such person is to serve and (iii) whether each such person was designated by MAP, PEPL or TEPPCO. MAP, PEPL and TEPPCO shall cause their respective Representatives to promptly approve the appointment of each person listed on Schedule 9.01(a) to the related executive office position listed on Schedule 9.01(a).

(b) Except as otherwise determined by the Board of Managers, each Officer shall hold office until his or her death or until his or her earlier resignation or removal in the manner hereinafter provided. Except as otherwise expressly provided herein, the Officers shall have such powers and duties in the management of the Company as generally pertain to their respective offices as if the Company were a corporation governed by the general corporation law of the State of Delaware.

(c) The Board of Managers may elect or appoint such other officers to assist and report to the Board of Managers or the existing Officers as it deems necessary. Subject to the preceding sentence, each such officer shall have such authority and shall perform such duties as may be provided herein or as the Board of Managers may prescribe. The Board of Managers may delegate to any Officer the power to choose such other officers and to prescribe their respective duties and powers.

(d) Except as otherwise determined by the Board of Managers, if additional officers are elected or appointed during the year pursuant to Section 9.01(c), each such officer shall hold office until his or her death or until his or her earlier resignation or removal in the manner hereinafter provided.

SECTION 9.02. Resignation, Removal and Vacancies. (a) Any Officer may resign at any time by giving written notice to the President or the Secretary of the Company, and such resignation shall take effect at the time specified therein or, if the time when it shall become effective shall not be specified therein, when accepted by action of the Board of Managers. Except as aforesaid, the acceptance of such resignation shall not be necessary to make it effective.

(b) All Officers and agents elected or appointed by the Board of Managers shall be subject to removal at any time by the Board of Managers with or without cause.

(c) Vacancies in all Officer positions shall be filled by the Board of Managers pursuant to vote in accordance with Section 8.06(c). Prior to the meeting at which the Board of Managers is to vote upon the filling of a vacancy in an Officer position, each Member shall send to the other Members a notice which discloses the name, if any, and details of the candidate for the vacant Officer position that the Representatives of the nominating Member will nominate and vote in favor of for such position.

ARTICLE X

Transfers of Membership Interest

SECTION 10.01. Restrictions on Transfers. (a) General. Except as expressly provided by this Article X, no Member shall Transfer all or any part of its Membership Interest to any Person without first obtaining the written approval of the other Members, which approval may be granted or withheld in their sole discretion. Notwithstanding anything to the contrary contained in this Agreement, no Transfer by a Member of its Membership Interest to any Person shall be made except to a permitted assignee hereunder.

(b) Transfer by Operation of Law. In the event that any Member shall be party to a merger, consolidation or similar business combination transaction with a third party, or sell all or substantially all its assets to a third party, such Member may Transfer all (but not part) of its Membership Interest to such third party; provided, however, no Member shall be permitted to Transfer its Membership Interest to such third party as aforesaid if the purpose or intent of such merger,

consolidation, similar business combination transaction or sale is to circumvent or avoid the application of Sections 10.01(c) and 10.04 to the Transfer of the Membership Interest to such third party.

(c) Transfer by Sale to Third Party. A Member may sell all (but not part) of its Membership Interest to any Person (other than in a Transfer pursuant to Section 10.01(b) or Section 10.01(d)) if (i) it shall first have offered the other Members the opportunity to purchase such Membership Interest pursuant to the purchase rights procedures set forth in Section 10.04, and (ii) such sale is completed within the time periods specified in Section 10.04.

(d) Transfer to Wholly Owned Subsidiary. A Member may Transfer all (but not part) of its Membership Interest at any time to a wholly owned subsidiary of such Member if (i) such Member shall have received an opinion from tax counsel acceptable to all Members that such Transfer will not result in a termination of the status of the Company as a partnership for Federal income tax purposes and (ii) the transferring Member enters into an agreement with the other Members providing that so long as such wholly owned subsidiary holds such transferring Member's Membership Interest, such wholly owned subsidiary shall remain a wholly owned subsidiary of such transferring Member.

(e) Consequences of Permitted Transfers. (i) In connection with any Transfer by a Member to a third party transferee pursuant to Section 10.01(c), (A) such third party transferee shall at the time of such Transfer become subject to all of such transferring Member's obligations hereunder and shall succeed to all of such transferring Member's rights hereunder and (B) such transferring Member shall be relieved of all of its obligations hereunder other than with respect to any default hereunder by such transferring Member that occurred prior to the time of such Transfer.

(ii) In connection with any Transfer by a Member to a wholly owned subsidiary of such Member pursuant to Section 10.01(d), (A) such wholly owned subsidiary shall at the time of such Transfer become subject to all of such Member's obligations hereunder and shall succeed to all of such Member's rights hereunder and (B) such Member shall not be relieved of its obligations hereunder without the prior written consent of the other Members, which consent shall not be unreasonably withheld or delayed.

(iii) Consequences of an Unpermitted Transfer. Any Transfer of a Member's Membership Interest made in violation of the applicable provisions of this Agreement shall be void ab initio and without legal effect.

SECTION 10.02. Conditions for Admission. No transferee of the Membership Interest of any Member shall be admitted as a Member hereunder unless (a) such Membership Interest are Transferred to a Person in compliance with the applicable provisions of this Agreement, and (b) such transferee shall have executed and delivered to the Company such instruments as the non-Transferring Members deem necessary or desirable in its reasonable discretion to effectuate the admission of such transferee as a Member and to confirm the agreement of such transferee or recipient to be bound by all the terms and provisions of this Agreement with respect to the Membership Interest acquired by such transferee.

SECTION 10.03. Allocations and Distributions. Subject to applicable Treasury Regulations, upon the Transfer of all the Membership Interest of a Member as herein provided, the Profit and Loss of the Company attributable to the Membership Interest so transferred for the Fiscal Year during which such Transfer occurs shall be allocated between the transferor and transferee as of the date set forth on the written assignment, and such allocation shall be based upon any permissible method agreed to by the Members that is provided for in Code Section 706 and the Treasury Regulations issued thereunder. Except as otherwise expressly provided in Section 10.01(e)(iii) above, distributions shall be made to the holder of record of the Membership Interest on the date of distribution.

SECTION 10.04. Purchase Rights Procedures. (a) If a Member (the "Selling Member") desires to sell all (but not part) of its Membership Interest pursuant to Section 10.01(c), then the Selling Member shall give notice (the "Offer Notice") to the other Members, identifying the proposed purchaser, who, except in the case of a current Member, shall have sufficient financial strength (defined as a debt rating of BBB- or better by Standard & Poors, or the equivalent from other reputable advising firms) from whom it has received a bona fide offer and setting forth the proposed sale price (which shall be payable only in cash), payment terms and other material terms under which the Selling Member is

proposing to sell such Membership Interest to the proposed purchaser. No such sale shall encompass or be conditioned upon the sale or purchase of any property other than such Membership Interest. The other Members shall have 60 days from receipt of the Offer Notice to elect, by notice to the Selling Member, to purchase their pro rata share of the Membership Interest offered for sale on the terms and conditions set forth in the Offer Notice. If one or more, but less than all, of the other Members reject the offer, the Members accepting the offer shall have ten (10) days to elect to purchase the Membership Interest pro rata (or such other ratio as they may agree) in accordance with the terms of the proposal.

(b) If one or more Members makes such election, the notice of election shall state a closing date not later than 90 days (or 270 days in the case where such parties have received a second request for information from the Federal agency investigating the proposed sale pursuant to any HSR Act filing required as a result of such proposed sale) after the date of the Offer Notice.

(c) If one or more of the other Members do not give notice within the 60-day period following the Offer Notice from the Selling Member that they elect to purchase the Membership Interest, the Selling Member may, within 120 days after the end of such 60-day period (or 270-day period in the case where such parties have received a second request for information from the Federal agency investigating the proposed sale pursuant to any HSR Act filing required as a result of such proposed sale), sell such Membership Interest to the identified purchaser on terms and conditions set forth in such Offer Notice. In the event the Selling Member shall desire to offer the Membership Interest for sale on terms and conditions other than those previously set forth in an Offer Notice, the procedures set forth in this Section 10.04 must again be initiated and applied with respect to the terms and conditions as modified.

SECTION 10.05. Restriction on Resignation or Withdrawal. Except in connection with a Transfer permitted pursuant to Section 10.01, no Member shall resign or withdraw from the Company without the consent of the other Members. Any purported resignation or withdrawal from the Company in violation of this Section 10.05 shall be null and void and of no force or effect.

ARTICLE XI

Liability, Exculpation and Indemnification

SECTION 11.01. Liability. Except as otherwise provided by the Delaware Act, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and no Covered Person shall be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a Covered Person. Except as otherwise expressly required by law, a Member, in its capacity as such, shall have no liability in respect of the debts, obligations and liabilities of the Company in excess of (a) the amount of its capital contributions, (b) its share of any assets and undistributed profits of the Company, and (c) the amount of any distributions wrongfully distributed to it.

SECTION 11.02. Exculpation. (a) No Covered Person shall be liable, responsible or accountable in damages or otherwise to the Company or any Member for any action taken or failure to act (EVEN IF SUCH ACTION OR FAILURE TO ACT CONSTITUTED THE NEGLIGENCE OF SUCH PERSON) on behalf of the Company within the scope of the authority conferred on such Person pursuant to this LLC Agreement unless such act or omission was performed or omitted fraudulently or constituted gross negligence, a reckless disregard of duty, or willful misconduct.

SECTION 11.03. Indemnification. (a) To the fullest extent permitted by law, each Covered Person shall be indemnified and held harmless by the Company from and against any and all losses, claims, damages, judgments, liabilities, obligations, penalties, settlements and reasonable expenses (including legal fees) arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, in which the Covered Person may be involved, or threatened to be involved, as a party or otherwise, by reason of his status as a Covered Person, regardless of whether such Person continues to be a Covered Person at the time any such liability or expense is paid or incurred, unless the act or failure to act giving rise to indemnity hereunder was performed or omitted fraudulently or constituted gross negligence, a reckless disregard of duty, or willful misconduct.

(b) Expenses incurred by any Covered Person in defending any claim with respect to which such Covered Person may be entitled to indemnification by the Company hereunder (including without limitation reasonable attorneys' fees and disbursements) shall, to the maximum extent permitted by law, be advanced by the Company prior to the final disposition of such claim, upon receipt of a written undertaking by or on behalf of such Covered Person to repay the advanced amount of such expenses unless it is determined ultimately that the Covered Person is entitled to indemnification by the Company under Section 11.03(a).

(c) Notwithstanding anything in this Section 11.03 to the contrary, no Covered Person shall be indemnified in respect of any claim, action, suit or proceeding initiated by such Covered Person or his personal or legal representative, or which involved the voluntary solicitation or intervention of such Person or his personal or legal representative other than an action to enforce indemnification rights hereunder or any action initiated with the approval of a majority of the Board of Managers.

(d) The indemnification provided in this Section 11.03 is for the benefit of the Covered Persons and shall not be deemed to create any right to indemnification for any other persons except that in the event of any Covered Person's death, such rights shall extend to such Covered Person's heirs and personal representatives.

SECTION 11.04. Insurance. The Company may purchase and maintain insurance on behalf of the Members, the Board of Managers, and such other persons as the Board of Managers shall determine against any liability that may be asserted against or expense that may be incurred by such person in connection with the Company's activities, regardless of whether the Company would have the power to indemnify such person against such liability under the provisions of this LLC Agreement.

ARTICLE XII

Duties

SECTION 12.01. Duties and Liabilities of Covered Persons. To the extent that, at law or in equity, a Covered Person has duties (INCLUDING FIDUCIARY DUTIES) and liabilities relating thereto to the Company or to any other Covered Person, a Covered Person acting under this LLC Agreement shall not be liable to the Company or to any other Covered Person for its good faith reliance on the provisions of this LLC Agreement. The provisions of this LLC Agreement, to the extent that they expand or restrict the duties and liabilities of a Covered Person otherwise existing at law or in equity, are agreed by the Members to replace such other duties and liabilities of such Covered Person.

ARTICLE XIII

Dispute Resolution Procedures

SECTION 13.01. Scope. The Members will attempt in good faith to resolve any Dispute arising out of, relating to or in connection with this LLC Agreement in accordance with this Article XIII. Without limiting the generality of the foregoing, the following are considered Disputes: (a) all questions relating to the breach of any obligation, covenant or condition herein; (b) all questions relating to any representations, negotiations and other proceedings leading to the execution hereof; (c) the denial or rejection of a claim or demand of any other party, (d) all questions relating to the causes, validity or circumstances of the termination of this LLC Agreement; and (e) all questions as to whether Disputes are to be resolved pursuant to the provisions of this Article XIII. The Members' obligation to resolve Disputes pursuant to this Article XIII shall survive the termination of this LLC Agreement.

SECTION 13.02. Negotiation. The Members will promptly seek to resolve any Dispute by negotiations between senior executives of the Members who have authority to settle the controversy. When a Member believes there is a Dispute under this LLC Agreement, that Member will give the other Members written notice of the Dispute. Within twenty (20) days after the date of

such notice, the receiving Member shall submit to the others a written response. The notice and response shall include (a) a statement of each Member's position and a summary of the evidence and arguments supporting its position, and (b) the name and title of the executive who will represent that Member. The executives shall meet at a mutually acceptable time and place within thirty (30) days after the date of the notice and thereafter as often as they reasonably deem necessary to exchange relevant information and to attempt to resolve the Dispute. If a Member's executive intends to be accompanied at a meeting by an attorney, the other party shall be given at least three (3) Business Days' notice of such intention and may be accompanied by an attorney. All negotiations pursuant to this Section 13.02 shall be held confidential by each party, and shall be treated as compromise and settlement negotiations for the purposes of the Federal Rules of Evidence and state rules of evidence.

SECTION 13.03. Arbitration. If the Dispute has not been resolved within sixty (60) days after the date of the notice given pursuant to Section 13.02, or if any Member fails or refuses to participate in the negotiations described in Section 13.02, the Dispute shall be finally settled by arbitration conducted expeditiously in accordance with the then current Rules of Practice and Procedure for the arbitration of commercial disputes of American Arbitration Association or any successor thereto ("AAA"), by three independent and impartial arbitrators selected by the AAA. The arbitration will be binding and non-appealable, and shall be governed by the United States Arbitration Act, 9 U.S.C. 1-16, to the exclusion of any provision of state law inconsistent therewith and which would produce a different result, and judgment upon the award rendered by the arbitrators may be entered by any court having jurisdiction thereof. The place of arbitration shall be Houston, Texas. The arbitrators shall apply the substantive law of the State of Delaware, exclusive of its conflict of law rules. The arbitrators are empowered to award only compensatory damages (including attorneys' and experts' fees and interest), and each Member hereby irrevocably waives any damages in excess of compensatory damages (including attorneys' and experts' fees and interest), including a waiver of any loss of profits, special, exemplary, consequential, punitive or multiple damages. The arbitrators are also empowered to render decisions declaratory of the Members' respective rights and obligations under this Agreement.

SECTION 13.04. Extensions. All deadlines specified in this Article XIII may be extended by mutual written agreement.

SECTION 13.05. Continuing Obligations. Each Member is required to continue to perform its obligations under this LLC Agreement pending final resolution of any Dispute.

SECTION 13.06. Injunctive Relief. Unless otherwise set forth herein, the procedures specified in this Article XIII shall be the sole and exclusive procedures for the resolution of Disputes between the Members arising out of or relating to this LLC Agreement; provided, however, that a Member may seek a preliminary injunction or other preliminary legal or equitable relief if in the judgment of that party such action is necessary to avoid irreparable damage or to preserve the status quo. The Members agree that irreparable damage would occur in the event that any of the provisions of this LLC Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Members shall be entitled to an injunction or injunctions to prevent breaches of this LLC Agreement and to enforce specifically the terms and provisions of this Agreement in the Delaware Chancery Court; provided that if the Delaware Chancery Court does not have jurisdiction with respect to such matter, the Members shall be entitled to enforce specifically the terms and provisions of this LLC Agreement in any court of the United States in the State of Texas or in any Texas state court, located in Harris County, Texas, this being in addition to any other remedy to which they are entitled at law or in equity. In addition, each of the Members (i) consents to submit itself to the personal jurisdiction of the Delaware Chancery Court, any Federal Court in the State of Texas or in any Texas state court, located in Harris County, Texas, in the event that any dispute arises out of this LLC Agreement or any of the transactions contemplated by this LLC Agreement; (ii) agrees to appoint and maintain an agent in the State of Delaware and the State of Texas for service of legal process, (iii) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, (iv) agrees that it will not plead or claim in court that any action relating to this LLC Agreement or any of the transactions contemplated by this LLC Agreement in any such court has been brought in an inconvenient forum and (v) agrees that it will not initiate any action relating to this LLC Agreement or any of the transactions contemplated by this LLC Agreement in any court

other than (1) the Delaware Chancery Court, or (2) if the Delaware Chancery Court does not have jurisdiction with respect to such action, a Texas Federal court or state court, located in Harris County, Texas. Despite the initiation of any such judicial proceedings, the Members will continue to participate in good faith in the procedures specified in this Article XIII. As between the Members, all applicable statutes of limitation shall be tolled while the procedures specified in this Article XIII are pending and the Members will take any and all actions required to effectuate such tolling.

ARTICLE XIV

Dissolution and Termination

SECTION 14.01. Dissolution. The Company shall be dissolved and its business and affairs wound up upon the earliest to occur of any one of the following events:

(a) The expiration of the Term of the Company;

(b) The sale or other disposition of all or substantially all the property of the Company;

(c) The written consent of all Members;

(d) The bankruptcy, involuntary liquidation or dissolution of any Member;

(e) An event described in Section 18-801(a)(4) of the Delaware Act;

(f) The entry of a decree of judicial dissolution pursuant to Section 18-802 of the Delaware Act; or

(g) An event which results in the termination of the Formation Agreement as set forth in Section 13.1 of such agreement.

The bankruptcy, involuntary liquidation or dissolution of a Member shall cause that Member to cease to be a member of the Company. Except as provided in this paragraph, and to the fullest extent permitted by the Delaware Act, the occurrence of an event that causes a Member to cease to be a member of the Company shall not cause the Company to be dissolved or its business or affairs to be wound up, and upon the occurrence of such an event, the business of the Company shall continue without dissolution.

SECTION 14.02. Winding Up of Company. Upon dissolution pursuant to Section 14.01 above, the Company's business shall be liquidated in an orderly manner. The Board of Managers shall act as the liquidating trustee (unless the Board of Managers elects to appoint a liquidating trustee) to wind up the affairs of the Company pursuant to this LLC Agreement. In performing its duties, the liquidating trustee is authorized to sell, distribute, exchange or otherwise dispose of the assets of the Company in accordance with the Delaware Act and in any reasonable manner that the liquidating trustee shall determine to be in the best interest of the Members or their successors-in-interest.

SECTION 14.03. Liquidating Distributions. All amounts distributed to the Members in connection with the winding up and liquidation of the Company shall be distributed (i) if before the Commencement Date in accordance with Article XIII of the Formation Agreement and (ii) if after the Commencement Date, first to the Members in accordance with their respective Capital Account balances, adjusted pursuant to Article VI for all Company operations and gains and losses on the sale of the Company assets up to and including the date of such distribution and thereafter in accordance with their respective Percentage Interests. In the event the liquidating trustee determines that it is necessary in connection with the liquidation of the Company to make a distribution of property in kind, such property shall be transferred and conveyed to the Members so as to vest in each of them as a tenant in common an undivided interest in the whole of such property equal to their interests in the property based upon the amount of cash that would be distributed to each of the Members in accordance with Article V if such property were sold for an amount of cash equal to the then Agreed Value of such property, as determined and approved by the Board of Managers, and the gains or losses that would occur on such sales are charged or credited to the Members' Capital Accounts.

SECTION 14.04. Termination of Company. The Company shall terminate when all assets of the Company, after payment of or due provision for all debts, liabilities and obligations of the Company, shall have been distributed to the Members in the manner provided for in this LLC Agreement, and the Certificate of Formation shall have been canceled in the manner provided by the Delaware Act.

ARTICLE XV

Miscellaneous

SECTION 15.01. Notices. Any notice, consent or approval to be given under this LLC Agreement shall be in writing and shall be deemed to have been given if delivered: (i) personally by a reputable courier service that requires a signature upon delivery; (ii) by mailing the same via registered or certified first-class mail, postage prepaid, return receipt requested; or (iii) by telecopying the same with receipt confirmation (followed by a first-class mailing of the same) to the intended recipient. Any such writing will be deemed to have been given: (a) as of the date of personal delivery via courier as described above; (b) as of the third calendar day after depositing the same into the custody of the postal service as evidenced by the date-stamped receipt issued upon deposit of the same into the mails as described above; and (c) as of the date and time electronically transmitted in the case of telecopy delivery as described above, in each case addressed to the intended party at the address set forth below:

To the Board of Managers:

Centennial Pipeline LLC
539 South Main Street
Findlay, Ohio 45840
Attn: Secretary
Phone: (419) 421-3275
Fax: (419) 421-3578

To PEPL:

Panhandle Eastern Pipe Line Company
5444 Westheimer Road, Suite 500
Houston, Texas 77056-5306
Attn: General Counsel
Phone: (713) 989-7560
Fax: (713) 989-1189

To TEPPCO:

TE Products Pipeline Company, Limited Partnership
P. O. Box 2521
Houston, Texas 77252-2521
Attn: President
Phone: (713) 759-3500
Fax: (713) 759-3957

with a copy to:

TE Products Pipeline Company, Limited Partnership
P. O. Box 2521
Houston, Texas 77252-2521
Attn: General Counsel
Phone: (713) 759-3968
Fax: (713) 759-3645

Any party may designate different addresses or telecopy numbers by notice to the other parties.

SECTION 15.02. Merger and Entire Agreement. This LLC Agreement (including any Exhibits and Schedules attached hereto), together with the Transaction Documents (including the exhibits, schedules and appendices thereto), constitutes the entire agreement of the parties hereto and supersedes any prior understandings, agreements, or representations by or among the parties hereto, written or oral, to the extent they relate in any way to the subject matter hereof. In the event of a conflict between this LLC Agreement and any other Transaction Document, the terms hereof shall control.

SECTION 15.03. Assignment. A Member shall not assign all or any of its rights, obligations or benefits under this LLC Agreement to any third party other than (i) in connection with a Transfer of its Membership Interest pursuant to Article X, or (ii) with the prior written consent of the

other Members, which consent may be withheld in such Members' sole discretion, and any attempted assignment not in compliance with this Section 16.03 shall be void ab initio.

SECTION 15.04. Parties in Interest. This LLC Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their respective successors, legal representatives and permitted assigns.

SECTION 15.05. Counterparts. This LLC Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

SECTION 15.06. Amendment; Waiver. This LLC Agreement may not be amended except in a written instrument signed by each of the Members and expressly stating it is an amendment to this LLC Agreement. Any failure or delay on the part of any Member in exercising any power or right hereunder shall not operate as a waiver thereof, nor shall any single or partial exercise of any such right or power preclude any other or further exercise thereof or the exercise of any other right or power hereunder or otherwise available at law or in equity.

SECTION 15.07. Severability. If any term, provision, covenant, or restriction of this LLC Agreement or the application thereof to any Person or circumstance, at any time or to any extent, is held by a court of competent jurisdiction or other governmental authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this LLC Agreement (or the application of such provision in other jurisdictions or to Persons or circumstances other than those to which it was held invalid or unenforceable) shall in no way be affected, impaired or invalidated, and to the extent permitted by applicable law, any such term, provision, covenant or restriction shall be restricted in applicability or reformed to the minimum extent required for such to be enforceable. This provision shall be interpreted and enforced to give effect to the original written intent of the parties hereto prior to the determination of such invalidity or unenforceability.

SECTION 15.08. GOVERNING LAW. THIS LLC AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, WITHOUT GIVING EFFECT TO THE PRINCIPLES OF CONFLICTS OF LAW THEREOF. THIS LLC AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH SECTION 18-1101 OF THE DELAWARE ACT. ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY CLAIM OR PROCEEDING RELATED TO OR ARISING OUT OF THIS AGREEMENT, OR ANY TRANSACTION OR CONDUCT IN CONNECTION HEREWITH, IS WAIVED.

SECTION 15.09. Creditors. None of the provisions of this LLC Agreement shall be for the benefit of or enforceable by any creditor of the Company or of any Member.

SECTION 15.10. No Bill for Accounting. In no event shall any Member have any right to file a bill for an accounting or any similar proceeding.

SECTION 15.11. Waiver of Partition. Each Member hereby waives any right to partition of the Company property.

SECTION 15.12. Table of Contents, Headings and Titles. The table of contents and section headings of this Agreement and titles given to Exhibits and Schedules to this Agreement are for reference purposes only and are to be given no effect in the construction or interpretation of this Agreement.

SECTION 15.13. Use of Certain Terms; Rules of Construction. As used in this LLC Agreement, the words "herein," "hereof" and "hereunder" and other words of similar import refer to this LLC Agreement as a whole and not to any particular paragraph, subparagraph, section, subsection or other subdivision. Whenever the context may require, any pronoun used in this LLC 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. Whenever the terms of this LLC Agreement require the Company to take or refrain from taking any action, such terms shall be deemed to

contemplate action or restraint by the Company through its operator, pursuant to the Operating Agreement. Each Member agrees that any rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation or construction of this LLC Agreement or any other agreement or document referred to herein.

SECTION 15.14. Holidays. Notwithstanding any deadline for payment, performance, notice or election under this LLC Agreement, if such deadline falls on a date that is not a Business Day, then the deadline for such payment, performance, notice or election will be extended to the next succeeding Business Day.

SECTION 15.15. Third Parties. Nothing herein expressed or implied is intended or shall be construed to confer upon or give any Person and their respective successors, legal representatives and permitted assigns any rights, remedies or basis for reliance upon, under or by reason of this LLC Agreement.

IN WITNESS WHEREOF, this LLC Agreement has been duly executed by the Members as of the day and year first above written.

MARATHON ASHLAND PETROLEUM LLC

By /s/ GARY R. HEMINGER

Name: Gary R. Heminger
Title: Senior Vice President, Business Development

PANHANDLE EASTERN PIPE LINE COMPANY

By /s/ CHRISTOPHER A. HELMS

Name: Christopher A. Helms
Title: President and Chief Operating Officer

TE PRODUCTS PIPELINE COMPANY, LIMITED PARTNERSHIP
By: Texas Eastern Products Pipeline Company, LLC, its general partner

By /s/ William L. Thacker

Name: William L. Thacker
Title: Chairman, President and Chief Executive Officer

CENTENNIAL PIPELINE LLC

LLC AGREEMENT

SCHEDULE 9.01(A)
INITIAL OFFICERS

President	C. A. Helms
Vice President	W. L. Thacker
Vice President	G. R. Heminger
Vice President	S. E. Elbin
Secretary	J. L. Benson
Assistant Secretary	J. M. Minard
Treasurer	R. R. Young
Assistant Treasurer	K. E. Abel

GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT, dated as of September 27, 2002 (the "GUARANTY AGREEMENT"), is made by TE PRODUCTS PIPELINE COMPANY, LIMITED PARTNERSHIP, a Delaware limited partnership ("TEPPCO"), and MARATHON ASHLAND PETROLEUM LLC, a Delaware limited liability company ("MAP" and together with TEPPCO, the "SPECIAL GUARANTORS"), in favor of the holders from time to time of the Notes issued under the below-described Note Agreements.

WHEREAS, Centennial Pipeline LLC, a Delaware limited liability company (the "COMPANY") and The Prudential Insurance Company of America ("PRUDENTIAL") have entered into (i) a Revolving Note Agreement dated as of May 4, 2001 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "REVOLVING NOTE AGREEMENT"), pursuant to which the Company sold and Prudential purchased (in each case subject to the terms and conditions set forth therein) $10,000,000 aggregate principal amount outstanding from time to time of the Company's senior floating rate revolving notes (together with any notes issued in substitution or exchange therefor pursuant to the terms of the Revolving Note Agreement, the "REVOLVING NOTES"), and (ii) a Master Shelf Agreement dated as of May 4, 2001 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "SHELF AGREEMENT" and together with the Revolving Note Agreement, the "NOTE AGREEMENTS"), pursuant to which the Company has sold and may from time to time hereafter sell and Prudential and/or one or more Prudential Affiliates or Identified Purchasers (each as defined in the Shelf Agreement) has purchased and may from time to time hereafter purchase (in each case subject to the terms and conditions set forth therein) senior fixed rate term notes of the Company in an aggregate principal amount not to exceed $140,000,000 (together with any notes issued in substitution or exchange therefor pursuant to the terms of the Shelf Agreement, the "TERM NOTES" and together with the Revolving Notes, the "NOTES");

WHEREAS, pursuant to the conditions of the Note Agreements, Panhandle Eastern Pipe Line Company, a Delaware corporation ("PEPL"), TEPPCO and MAP entered into, as guarantors thereunder, the Guaranty Agreement dated as of May 4, 2001 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "ORIGINAL GUARANTY"), in favor of the holders from time to time of the Notes issued under the Note Agreements;

WHEREAS, (i) a Sponsor Default Event (as defined in the Original Guaranty) has occurred with respect to PEPL, (ii) the Required Holder(s) (as defined in the Note Agreements) have requested PEPL to provide Acceptable Credit Support (as defined in the Original Guaranty) as provided by the terms of the Original Guaranty, (iii) PEPL has not provided any part of such required Acceptable Credit Support, and (iv) the Special Guarantors have elected, pursuant to, and for the purposes provided in, Section 12(c)(ii)(B) of the Original Guaranty and subject to the terms of this Guaranty

Agreement, to provide Acceptable Credit Support by executing and delivering this Guaranty Agreement;

NOW THEREFORE, in consideration of, and in reliance on, the premises and the terms and agreements herein contained, and for other good and valuable consideration and reasonably equivalent value, each of the Special Guarantors hereby covenants and agrees with, and represents and warrants to each holder of Notes as follows:

1. DEFINED TERMS. All capitalized terms used herein, unless specifically otherwise defined, shall have the meanings ascribed to them in, or by, the Original Guaranty. In addition, the terms defined in the introductory paragraph and recitals of this Guaranty Agreement shall have the respective meanings specified therein, and the following terms shall have the meanings specified with respect thereto below:

    "SPECIAL PEPL EVENT DATE" shall mean the initial date that occurs on or after the effective date of this Guaranty Agreement on which PEPL (which term "PEPL", for the avoidance of doubt, includes any successor to PEPL or any assignee or transferee of PEPL's interest in the Company) possesses both a senior unsecured long-term debt rating of BBB- or better from S&P and a senior unsecured long-term debt rating of Baa3 or better from Moody's.

    "SPECIAL PRO RATA PORTION" shall mean, as to each Special Guarantor and with respect to any of the Special Guaranteed Obligations, fifty percent (50%) of PEPL's Pro Rata Portion of the Guaranteed Obligations under the Original Guaranty.

2. THE GUARANTY. Each of the Special Guarantors hereby irrevocably, unconditionally and severally (but not jointly) guarantees to each holder from time to time of any of the Notes, such Special Guarantor's respective Special Pro Rata Portion of (i) the due and punctual payment in full of the principal of, Yield-Maintenance Amount or Breakage Cost Obligations, if any, interest and all other amounts due under the Notes from time to time outstanding, when and as the same shall become due and payable, whether at stated maturity or by required or optional prepayment or purchase, by acceleration or otherwise (including interest due on overdue payments of principal, Yield-Maintenance Amount or Breakage Cost Obligations, if any, or interest at the rate set forth in the Notes or any other amounts due thereunder) which may become due under the terms and provisions of the Notes or the Note Agreements, and (ii) the full and prompt payment of all other obligations and liabilities of the Company under the Note Agreements or under any other Shelf Documents or Revolving Note Documents (collectively, the "NOTE DOCUMENTS") (all such obligations, covenants, conditions and agreements described in the foregoing clauses (i) and (ii) being hereinafter collectively referred to as the "SPECIAL GUARANTEED OBLIGATIONS"); provided, however, that the amount of Special Guaranteed Obligations owed at any time shall be reduced,

pro tanto, by the aggregate amount indefeasibly paid in cash by, or on behalf of, PEPL in respect of its Pro Rata Portion of the Guaranteed Obligations. The guaranty in the preceding sentence is an absolute, present and continuing guaranty of payment and not of collectibility and is in no way conditional or contingent upon any attempt to collect from the Company, PEPL or any other guarantor of the Notes or upon any other action, occurrence or circumstance whatsoever; provided, however, in no event shall amounts paid by the Special Guarantors in respect of the Special Guaranteed Obligations be paid in duplication of amounts otherwise indefeasibly paid in cash by or on behalf of PEPL in respect of the Guaranteed Obligations, and if any such duplicative payment is made by a Special Guarantor, then upon written notice thereof to the holders of Notes from such Special Guarantor, which notice sets forth the amount of such overpayment, the holders of Notes shall as soon as reasonably practicable thereafter refund the amount thereof as directed in such written notice. In the event that the Company shall fail so to pay any of such Special Guaranteed Obligations, each of the Special Guarantors severally (but not jointly) agrees to pay its respective Special Pro Rata Portion of the same when due to the holders of the Notes entitled thereto, without demand, presentment, protest or notice of any kind, in lawful money of the United States of America, at the place for payment specified in the Notes and the Note Agreements. Each default in payment of principal of, Yield-Maintenance Amount or Breakage Cost Obligations, if any, or interest or any other amounts due on any Note shall give rise to a separate cause of action hereunder and separate suits may be brought hereunder as each cause of action arises. Each of the Special Guarantors hereby agrees that the Notes issued in connection with the Note Agreements may make reference to this guaranty.

Each of the Special Guarantors hereby agrees to pay and to indemnify and save the holders of the Notes harmless from and against any damage, loss, cost or expense (including attorneys' fees) which such holder may incur or be subject to as a consequence, direct or indirect, of (i) any breach by such Special Guarantor or by the Company of any warranty, covenant, term or condition in, or the occurrence of any default under, this Guaranty Agreement, the Notes, the Note Agreements or any other Note Document, together with all expenses resulting from the compromise or defense of any claims or liabilities arising as a result of any such breach or default, and (ii) any legal action commenced to challenge the validity of this Guaranty Agreement, the Notes, the Note Agreements or any other Note Document.

3. OBLIGATIONS ABSOLUTE. The obligations of each of the Special Guarantors hereunder shall be primary, absolute, irrevocable and unconditional, irrespective of the validity, regularity or enforceability of the Notes, the Note Agreements or any other Note Documents, shall not be subject to any counterclaim, setoff, deduction or defense (other than indefeasible payment and if indefeasibly paid, payments made by, or on behalf of, PEPL in respect of its Pro Rata Portion of the Guaranteed Obligations) based upon any claim such Special Guarantor may have against the Company or any holder of the Notes or

otherwise, and shall remain in full force and effect without regard to, and shall not be released, discharged or in any way affected by, any circumstance or condition whatsoever (whether or not such Special Guarantor shall have any knowledge or notice thereof), including, without limitation: (a) any amendment, modification of or supplement to the Note Agreements, the Notes or any other instrument referred to therein (except that the obligations of such Special Guarantor hereunder shall apply to the Note Agreements, the Notes or such other instruments as so amended, modified or supplemented) or any assignment or transfer of any thereof or of any interest therein, or any furnishing, acceptance or release of any security for the Notes, (b) any waiver, consent, extension, indulgence or other action or inaction under or in respect of the Notes or in respect of the Note Agreements or any other Note Document; (c) any bankruptcy, insolvency, readjustment, composition, liquidation or similar proceeding with respect to the Company or its property; (d) any merger, amalgamation or consolidation of such Special Guarantor or of the Company into or with any other corporation or any sale, lease or transfer of any or all of the assets of such Special Guarantor or of the Company to any person; (e) any failure on the part of the Company for any reason to comply with or perform any of the terms of any other agreement with such Special Guarantor; or (f) any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor. Each of the Special Guarantors covenants that, unless released in accordance with Section 13 hereof, its obligations hereunder will not be discharged except by payment in full of all of the Special Guaranteed Obligations.

4. WAIVER. Each of the Special Guarantors unconditionally waives to the fullest extent permitted by law, (a) notice of acceptance hereof, of any action taken or omitted in reliance hereon and of any defaults by the Company in the payment of any amounts due under the Notes, the Note Agreements or any other Note Document, and of any of the matters referred to in Section 3 hereof, (b) all notices which may be required by statute, rule of law or otherwise to preserve any of the rights of each holder from time to time of the Notes against such Special Guarantor, including, without limitation, presentment to or demand for payment from the Company or such Special Guarantor with respect to any Note, notice to the Company or to such Special Guarantor of default or protest for nonpayment or dishonor and the filing of claims with a court in the event of the bankruptcy of the Company, (c) any right to the enforcement, assertion or exercise by any holder of the Notes of any right, power or remedy conferred in this Guaranty Agreement, the Note Agreements, the Notes or any other Note Document, (d) any requirement or diligence on the part of any holder of the Notes and (e) any other act or omission or thing or delay to do any other act or thing which might in any manner or to any extent vary the risk of such Special Guarantor or which might otherwise operate as a discharge of such Special Guarantor.

5. OBLIGATIONS UNIMPAIRED. Each of the Special Guarantors authorizes the holders of the Notes, without notice or demand to such Special Guarantor and without affecting its obligations hereunder, from time to time (a) to renew,

compromise, extend, accelerate or otherwise change the time for payment of, or otherwise change the terms of, all or any part of the Notes, the Note Agreements or any other instrument referred to therein, (b) to take and hold security for the payment of the Notes, for the performance of this Guaranty Agreement or otherwise for the indebtedness guaranteed hereby and to exchange, enforce, waive and release any such security, (c) to apply any such security and to direct the order or manner of sale thereof as the holders of the Notes in their sole discretion may determine, (d) to obtain additional or substitute endorsers or guarantors, (e) to exercise or refrain from exercising any rights against the Company and others, and (f) to apply any sums, by whomsoever paid or however realized, to the payment of the principal of, Yield-Maintenance Amount or Breakage Cost Obligations, if any, or interest or any other amounts due on the Notes and any other Special Guaranteed Obligation hereunder. Each of the Special Guarantors waives any right to require the holders of the Notes to proceed against any additional or substitute endorsers or guarantors or to pursue or exhaust any security provided by the Company, such Special Guarantor or any other person or to pursue any other remedy available to such holders.

6. SUBROGATION. Each of the Special Guarantors agrees that it will not exercise any rights which it may have acquired by way of subrogation under this Guaranty Agreement, by any payment made hereunder or otherwise, or accept any payment on account of such subrogation rights, or any rights of reimbursement or indemnity or any rights or recourse to any security for the Notes or this Guaranty Agreement unless and until all of the obligations, undertakings or conditions to be performed or observed by the Company pursuant to the Notes, the Note Agreements and any other Note Document at the time of such Special Guarantor's exercise of any such right shall have been performed, observed or paid in full.

7. REINSTATEMENT OF GUARANTY. This Guaranty Agreement shall continue to be effective, or be reinstated, as the case may be, if and to the extent at any time, prior to the Guaranty Termination Date, payment, in whole or in part, of any of the sums due to any holder of the Notes for principal of, Yield-Maintenance Amount or Breakage Cost Obligations, if any, or interest on the Notes or any of the other Special Guaranteed Obligations is rescinded or must otherwise be restored or returned by such holder upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Company, or upon or as a result of the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to the Company or any substantial part of its property, or otherwise, all as though such payments had not been made; provided, however, if subsequent to such rescission, restoration or return but prior to the date a Special Guarantor is obligated to make a payment hereunder as a result of any such rescission, restoration or return this Guaranty Agreement terminates as a result of the occurrence of the Special PEPL Event Date, then from and after that date, this Guaranty Agreement shall no longer be deemed to continue be effective or reinstated, as the case may be, and for the avoidance of doubt, any such post-rescission, restoration or return payment obligation of a Special Guarantor shall

be cancelled. If an event permitting the acceleration of the maturity of the principal amount of the Notes shall at any time have occurred and be continuing and such acceleration shall at such time be prevented or the right of any holder of a Note to receive any payment under any Note shall at such time be delayed or otherwise affected by reason of the pendency against the Company of a case or proceeding under a bankruptcy or insolvency law, each of the Special Guarantors agrees that, for purposes of this Guaranty Agreement and its obligations hereunder, the maturity of such principal amount shall be deemed to have been accelerated with the same effect as if the holders of the Notes had accelerated the same in accordance with the terms of the Note Agreements, and such Special Guarantor shall forthwith pay such accelerated principal amount, accrued interest and Yield-Maintenance Amount or Breakage Cost Obligations, if any, or any other amounts due thereon and any other amounts guaranteed hereunder.

8. PAYMENTS. Each of the Special Guarantors hereby severally (but not jointly) guarantees that its respective Special Pro Rata Portion of the Special Guaranteed Obligations will be paid to each holder of the Notes in lawful currency of the United States of America and in immediately available funds, at the times and places provided in, and otherwise strictly in accordance with the terms and provisions of, the Note Agreements and the Notes (regardless of any law, regulation or decree now or hereafter in effect which might in any manner affect the Special Guaranteed Obligations, or the rights of any such holder with respect thereto as against the Company or cause or permit to be invoked any alteration in the time, amount or manner of payment by the Company of any or all of the Special Guaranteed Obligations), without set-off or counterclaim and free and clear of, and without reduction for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions, withholdings now or hereafter imposed, levied, collected withheld or assessed by any country (or by any political subdivision or taxing authority thereof or therein) excluding income and franchise taxes of the United States of America or any political subdivision, state or taxing authority thereof or therein (including Puerto Rico) (such non-excluded taxes being called "FOREIGN TAXES"). If any Foreign Taxes are required to be withheld from any amount payable to any such holder under this Guaranty Agreement or under the Notes, the amounts so payable to such holder shall be increased to the extent necessary to yield to such holder (after payment of all Foreign Taxes) interest or any such other amounts at the rates or in the amounts specified in the Note Agreements and the Notes.

9. RANK OF GUARANTY. Each of the Special Guarantors agrees that its obligations under this Guaranty Agreement shall rank at least pari passu with all other unsecured senior obligations of such Special Guarantor now or hereafter existing.

10. [SECTION INTENTIONALLY LEFT BLANK]

11. REPRESENTATIONS AND WARRANTIES OF THE SPECIAL GUARANTORS.

Each of the Special Guarantors represents and warrants as follows:

(a) Organization, Good Standing and Location. Such Special Guarantor (and in the case of TEPPCO, its general partner) is (i) a corporation, limited partnership or limited liability company (as applicable) duly organized, validly existing and in good standing under the laws of its state of organization, (ii) duly qualified and authorized to do business and in good standing in every other jurisdiction where the nature of its business requires such qualification and (iii) has all requisite corporate, limited partnership or limited liability company (as applicable) power and authority, and all governmental licenses and permits, to own and operate its properties and to carry on its businesses as presently conducted. Such Special Guarantor has the requisite corporate, limited partnership or limited liability company (as applicable) power to enter into and perform its obligations under this Guaranty Agreement.

(b) Approval and Enforceability of Guaranty Agreement. The execution, delivery and performance of this Guaranty Agreement has been duly authorized by all necessary corporate, partnership or limited liability company (as applicable) action on the part of such Special Guarantor (and in the case of TEPPCO, its general partner). The Guaranty Agreement has been duly and validly executed and delivered and constitutes the legal, valid and binding obligation of such Special Guarantor, enforceable against it in accordance with its terms.

(c) Actions Pending. There is no action, suit, investigation or proceeding pending or, to the knowledge of such Special Guarantor (or, in the case of TEPPCO, to the knowledge of its general partner), threatened against such Special Guarantor or any of its Subsidiaries, or any properties or rights of such Special Guarantor or any of its Subsidiaries, by or before any court, arbitrator or administrative or governmental body which could reasonably be expected to have a Material Adverse Effect.

(d) Conflicting Agreements and Other Matters. Neither such Special Guarantor nor any of its Subsidiaries is a party to or otherwise subject to any contract or agreement or subject to any charter, limited partnership agreement, limited liability company agreement, other organizational document or other corporate, limited partnership or limited liability company (as applicable) restriction which could reasonably be expected to have a Material Adverse Effect. Neither the execution nor delivery of this Guaranty Agreement, nor fulfillment of nor compliance with the terms and provisions hereof, will conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default under, or result in any violation of, or result in the creation of any Lien upon any of the

properties or assets of such Special Guarantor or any of its Subsidiaries pursuant to, the charter, bylaws, limited partnership agreement, limited liability company agreement, regulations or other organizational documents of such Special Guarantor or any of its Subsidiaries, any award of any arbitrator or any agreement (including any agreement with stockholders, partners or members), instrument, order, judgment, decree, statute, law, rule or regulation to which such Special Guarantor or any of its Subsidiaries is subject. Neither such Special Guarantor nor any of its Subsidiaries is a party to, or otherwise subject to any provision contained in, any instrument evidencing Indebtedness of such Special Guarantor or such Subsidiary, any agreement relating thereto or any other contract or agreement (including its charter, limited partnership agreement, limited liability company agreement or other organizational documents) which limits the amount of, or otherwise imposes restrictions on the incurring of, Indebtedness of such Special Guarantor represented by this Guaranty Agreement.

(e) Governmental Consent. Neither the nature of such Special Guarantor or of any Subsidiary, nor any of their respective businesses or properties, nor any relationship between such Special Guarantor or any Subsidiary and any other Person, nor any circumstance in connection with the execution and delivery of this Guaranty Agreement is such as to require any authorization, consent, approval, exemption or other action by or notice to or filing with any court or administrative or governmental body (other than routine filings after the date of closing with the Securities and Exchange Commission and/or state Blue Sky authorities) in connection with the execution and delivery of this Guaranty Agreement or fulfillment of or compliance with the terms and provisions hereof.

(f) Disclosure. This Guaranty Agreement, together with each other document, certificate or statement furnished to any holder of Notes by or on behalf of such Special Guarantor in connection herewith, does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained herein and therein not misleading. There is no fact peculiar to such Special Guarantor or any of its Subsidiaries (and not applicable to the oil and gas industry generally) which materially adversely affects or in the future may (so far as such Special Guarantor can now foresee) materially adversely affect the business, property or assets, financial condition or operations of such Special Guarantor and its Subsidiaries and which has not been set forth in this Guaranty Agreement or in the other documents, certificates and statements furnished to the holders of Notes by or on behalf of such Special Guarantor prior to the date hereof in connection with the transactions contemplated hereby.

12. [SECTION INTENTIONALLY LEFT BLANK]

13. TERMINATION AND RELEASE. Subject to the provisions of Section 7, and except to the extent that any Special Guarantor's obligations arising hereunder prior to such time have not been fulfilled, this Guaranty Agreement shall

terminate and each of the Special Guarantors shall be absolutely, unconditionally and irrevocably released and discharged of any and all obligations hereunder on (i) the Guaranty Termination Date, (ii) indefeasible payment in full of the Special Guaranteed Obligations and the termination of the Facility and the Commitment or (iii) the Special PEPL Event Date, whichever of the preceding events shall first occur.

14. [SECTION INTENTIONALLY LEFT BLANK]

15. NOTICES. Unless otherwise specifically provided herein, all notices, consents, directions, approvals, instructions, requests and other communications required or permitted by the terms hereof shall be in writing, and any such communication shall become effective when received, addressed in the following manner: (a) if to TEPPCO, to it at 2929 Allen Parkway, Suite 3200, Houston, TX 77019, Attention: Chief Executive Officer, (b) if to MAP, to it at 539 South Main Street, Findlay, OH 45840, Attention: Treasurer or (c) if to any holder of a Note, to the respective addresses set forth in the Purchaser Schedules to the Note Agreements; provided, however, that any such addressee may change its address for communications by notice given as aforesaid to the other parties hereto.

16. CONSTRUCTION. The section and subsection headings in this Guaranty Agreement are for convenience of reference only and shall neither be deemed to be a part of this Guaranty Agreement nor modify, define, expand or limit any of the terms or provisions hereof. All references herein to numbered sections, unless otherwise indicated, are to sections of this Guaranty Agreement. Words and definitions in the singular shall be read and construed as though in the plural and vice versa, and words in the masculine, neuter or feminine gender shall be read and construed as though in either of the other genders where the context so requires.

17. SEVERABILITY. If any provision of this Guaranty Agreement, or the application thereof to any person or circumstances, shall, for any reason or to any extent, be invalid or unenforceable, such invalidity or unenforceability shall not in any manner affect or render invalid or unenforceable the remainder of this Guaranty Agreement, and the application of that provision to other persons or circumstances shall not be affected but, rather, shall be enforced to the extent permitted by applicable law.

18. SUCCESSORS. The terms and provisions of this Guaranty Agreement shall be binding upon and inure to the benefit of each of the Special Guarantors and the holders of the Notes from time to time and their respective permitted successors, transferees and assigns.

19. ENTIRE AGREEMENT; AMENDMENT. This Guaranty Agreement expresses the entire understanding of the subject matter hereof; and all other understandings, written or oral, are hereby merged herein and superseded. No

amendment of or supplement to this Guaranty Agreement, or waiver or modification of, or consent under, the terms hereof shall be effective unless in writing and signed by the party to be bound thereby.

20. TERM OF GUARANTY AGREEMENT. Except if released in accordance with Section 13 hereof, the Guaranty Agreement and all guarantees, covenants and agreements of each of the Special Guarantors contained herein shall continue in full force and effect and shall not be discharged until such time as all of the Special Guaranteed Obligations shall be paid or otherwise discharged in full.

21. SURVIVAL. All warranties, representations and covenants made by each of the Special Guarantors herein or in any certificate or other instrument delivered by such Special Guarantor or on such Special Guarantor's behalf under this Guaranty Agreement shall be considered to have been relied upon by the holders of the Notes and shall survive the execution and delivery of this Guaranty Agreement, regardless of any investigation made by the holder of the Notes or on their behalf.

22. FURTHER ASSURANCES. Each of the Special Guarantors hereby agrees to execute and deliver all such instruments and take all such action as the holders of the Notes may from time to time reasonably request in order to effectuate fully the purposes of this Guaranty Agreement.

23. GOVERNING LAW. This Guaranty Agreement shall be governed by, construed and enforced in all respects in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely therein, without regard to principles of conflicts of laws.

24. SUBMISSION TO JURISDICTION. Each of the Special Guarantors hereby irrevocably submits itself to the nonexclusive jurisdiction of the Supreme Court of the State of New York, New York County, of the United States of America and to the jurisdiction of the United States District Court for the Southern District of New York, for the purpose of any suit, action or other proceeding arising out of, or relating to, this Guaranty Agreement or the subject matter hereof, and hereby waives, and agrees not to assert, by way of motion, as a defense or otherwise, in any such suit, action or proceedings, (i) any claim that it is not personally subject to the jurisdiction of the above-named courts for any reason whatsoever, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper and (ii) any right which it may have to a trial by a jury. Any and all service of process and any other notice in any such action, suit or proceeding shall be effective against such parties if given by registered or certified mail, return receipt requested, or by any other means or mail which requires a signed receipt, postage prepaid, mailed to such parties as herein provided in Section 15.

25. FACSIMILE TRANSMISSION; COUNTERPARTS. This Guaranty Agreement may be executed and delivered by facsimile transmission, and may be

executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

26. ADDITIONAL TERMS AND CONDITIONS OF THIS GUARANTY AGREEMENT. In addition to the other terms and conditions of this Guaranty Agreement, the execution, delivery and performance by the Special Guarantors of their respective obligations hereunder are made subject to, and in reliance on, and the holders of the Notes accept this Guaranty Agreement on, the agreements and statements set forth as follows:

(a) this Guaranty Agreement constitutes Acceptable Credit Support for purposes of curing the Sponsor Default Event with respect to PEPL described in the recitals to this Guaranty Agreement; and

(b) so long as this Guaranty Agreement shall be in full force and effect and valid and binding upon each of the Special Guarantors (and so long as no Special Guarantor shall have asserted otherwise in writing), no other Sponsor Default Event and no Event of Default shall arise or be deemed to have arisen based upon (i) any action taken or omitted to be taken by PEPL under any Note Document, including, but without limitation, the failure of PEPL to pay in whole or part, timely, or otherwise, any Credit Fee or other amount owed by it, or (ii) the occurrence of any other event or circumstance in relation to PEPL.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK; SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, each of the Special Guarantors has caused this Guaranty Agreement to be duly executed and delivered as of the date and year first above written.

TE PRODUCTS PIPELINE COMPANY,
LIMITED PARTNERSHIP

By: TEPPCO GP, Inc.,
its sole general partner

By: /s/ CHARLES H. LEONARD

Name: Charles H. Leonard
Title: Senior Vice President & Chief Financial Officer

MARATHON ASHLAND PETROLEUM LLC

By: /s/ G. L. PEIFFER

Name: G. L. Peiffer
Title: Senior Vice President, Finance & Information Technology

AGREED TO AND ACKNOWLEDGED
(FOR PURPOSES OF SECTIONS 2 AND 26 HEREOF):

THE PRUDENTIAL INSURANCE COMPANY
OF AMERICA

By: /s/ BRIAN N. THOMAS

Brian N. Thomas
Vice President

EXHIBIT 10.51

LLC MEMBERSHIP INTEREST PURCHASE AGREEMENT

BY AND BETWEEN

CMS PANHANDLE HOLDINGS, LLC

AS SELLER

AND

MARATHON ASHLAND PETROLEUM LLC
AND
TE PRODUCTS PIPELINE COMPANY, LIMITED PARTNERSHIP

SEVERALLY AS BUYERS

JANUARY 30, 2003

LLC MEMBERSHIP INTEREST PURCHASE AGREEMENT

THIS LLC MEMBERSHIP INTEREST PURCHASE AGREEMENT (this "Agreement") is entered into as of January 30, 2003, by and between CMS PANHANDLE HOLDINGS, LLC, a Delaware limited liability company (the "Seller"), and MARATHON ASHLAND PETROLEUM LLC, a Delaware limited liability company ("MAP") and TE PRODUCTS PIPELINE COMPANY, LIMITED PARTNERSHIP, a Delaware limited partnership, ("TEPPCO") (MAP and TEPPCO severally herein the "Buyers"). The Seller and the Buyers are sometimes referred to collectively herein as the "Parties" and individually as a "Party."

RECITALS

WHEREAS, Seller's predecessor in interest, Panhandle Eastern Pipe Line Company ("PEPL"), MAP and TEPPCO are the sole members of Centennial Pipeline LLC, a Delaware limited liability company ("Centennial"), pursuant to that certain Amended and Restated Limited Liability Company Agreement entered into among them effective August 20, 2000, amended on May 4, 2001 and on December 3, 2002 ("LLC Agreement"); and

WHEREAS, the Seller's membership interest in Centennial was acquired by assignment from PEPL, its Affiliate, on November 1, 2001; and

WHEREAS, the Seller owns a 33 1/3% membership interest in Centennial (the "Membership Interest"); and

WHEREAS, each of the Buyers owns a 33 1/3% membership interest in Centennial; and

WHEREAS, the Parties have reached an agreement in principle pursuant to which Seller will sell to the Buyers, and the Buyers will purchase from Seller, in equal shares, Seller's Membership Interest; and

WHEREAS, the Parties desire hereby to reduce their agreement to writing.

NOW, THEREFORE, in consideration of the premises and the mutual promises herein made, and in consideration of the representations, warranties, and covenants herein contained, the Parties agree as follows:

1. Definitions.

"Adverse Consequences" means all actions, suits, proceedings, hearings, investigations, charges, complaints, claims, demands, injunctions, judgments, orders, decrees, rulings, damages, dues, penalties, fines, costs, amounts paid in settlement, liabilities, obligations,

taxes, liens, losses, expenses, and fees, including court costs and attorneys' fees and expenses, but excluding punitive, exemplary, special or consequential damages (except as to third party claims for which a Party has rights of indemnification under this Agreement).

"Affiliate" has the meaning set forth in Rule 12b-2 of the regulations promulgated under the Securities Exchange Act.

"Buyers" has the meaning set forth in the preface.

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

"Centennial Assets" means all of the assets of Centennial of whatever nature.

"Centennial Project Debt" means the debt facility pursuant to that certain Master Shelf Agreement dated as of May 4, 2001, as amended and in effect from time to time, by and between Centennial and The Prudential Insurance Company of America pursuant to which $140,000,000 Senior Notes were issued and that certain Revolving Note Agreement dated as of May 4, 2001, as amended and in effect from time to time, by and between Centennial and The Prudential Insurance Company of America pursuant to which Senior Floating Rate Revolving Notes due May 4, 2004 were issued.

"Closing" has the meaning set forth in Section 2(c).

"Closing Date" has the meaning set forth in Section 2(c).

"Encumbrance" means any mortgage, pledge, lien (including tax liens), encumbrance, charge, other security interest or defect in title.

"Governmental Authority" means the United States and any state, county, city or other political subdivision, agency, court or instrumentality.

"Indemnified Party" has the meaning set forth in Section 7(d).

"Indemnifying Party" has the meaning set forth in Section 7(d).

"Laws" means any statute, code, regulation, rule, injunction, judgment, order, decree, ruling, charge or other restriction of any applicable Governmental Authority.

"LLC Agreement" has the meaning set forth in the recitals.

"Maintenance Agreement" has the meaning set forth in Section 4(h).

"Material Adverse Effect" means any change or effect that, individually or in the aggregate with other changes or effects, is materially adverse to the businesses, operations and properties of a Buyer, Seller or Centennial, each taken as a whole, provided that in determining whether a Material Adverse Effect has occurred, changes or effects relating to (i) the liquids pipeline industry generally (including, but not limited to, the price of liquids and the costs associated with the production and delivery of liquids) or changes in the regulation thereof, or (ii) United States or global economic conditions or financial markets in general, shall not be considered.

"Membership Interest" has the meaning set forth in the recitals.

"Party" and "Parties" have the meanings set forth in the preface.

"PEPL" means Panhandle Eastern Pipe Line Company, a Delaware corporation.

"Person" means an individual, a partnership, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, or a governmental entity (or any department, agency or political subdivision thereof).

"Post-Closing Membership Interest" has the meaning set forth in Section 2(a).

"Purchase Price" has the meaning set forth in Section 2(b).

"Seller" has the meaning set forth in the preface.

"Third Party Claim" has the meaning set forth in Section 7(d).

"Trunkline" means CMS Trunkline Gas Company, LLC, a Delaware limited liability company, formerly known as Trunkline Gas Company.

2. Purchase and Sale.

(a) Sale of Membership Interest. Subject to the terms and conditions of this Agreement, the Seller agrees to sell to the Buyers, and the Buyers agree to purchase from the Seller, in equal shares, all of the Seller's right, title and interest in and to the Membership Interest. From and after such sale and purchase, each of the Buyers shall own a 50% membership interest in Centennial ("Post-Closing Membership Interest").

(b) Purchase Price. In consideration for the sale of the Membership Interest, each of the Buyers agrees to pay to the Seller at the Closing TWENTY MILLION DOLLARS ($20,000,000.00) (with respect to each Buyer, the "Purchase Price") payable by wire transfer or delivery of other immediately available funds, pursuant to Seller's written instructions received at least five (5) days prior to the Closing.

(c) The Closing. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of the Seller, commencing at 9:00 a.m. local time on the second business day following the satisfaction or waiver of all conditions to the obligations of the Parties to consummate the transactions contemplated hereby (other than conditions with respect to actions each Party will take at the Closing itself) or such other date as the Parties may mutually determine (the "Closing Date").

(d) Deliveries at the Closing. At the Closing, (i) the Seller will deliver to the Buyers the various certificates, instruments, and documents referred to in Section 6(a), (ii) each of the Buyers will deliver to the Seller the various certificates, instruments, and documents referred to in Section 6(b), (iii) the Seller will deliver to each of the Buyers an Assignment and Conveyance in the form of Exhibit 2(d) transferring to each Buyer its respective share of the Seller's right, title and interest in and to the Membership Interest, and (iv) each of the Buyers will deliver to the Seller the Purchase Price.

3. Representations and Warranties Concerning the Transaction.

(a) Representations and Warranties of the Seller. The Seller hereby, severally, represents and warrants to each Buyer as follows:

(i) Organization of the Seller. The Seller is a limited liability company duly organized, validly existing, and in good standing under the Laws of the state of Delaware. Seller is duly licensed or qualified and in good standing as a foreign entity authorized to do business in all jurisdictions wherein the character of the property owned or leased, or the nature of the activities conducted, by it make such licensing or qualification necessary, except where the failure to be so licensed or qualified would not constitute a Material Adverse Effect.

(ii) Authorization of Transaction. The Seller has full power and authority (including full limited liability company power and authority) to execute and deliver this Agreement and to perform its obligations hereunder. Upon receipt of the approval of Seller's Board of Directors referenced in Schedule 3(a)(ii), this Agreement and the transactions contemplated hereby will have been duly authorized by all requisite limited liability company action on the part of the Seller and no further corporate approvals will be required to execute and deliver this Agreement or to consummate such transactions. This Agreement has been duly executed and delivered by Seller and constitutes the valid and legally binding obligation of the Seller, enforceable in accordance with its terms and conditions, subject, however, to the effects of bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally, and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). Except as set forth on Schedule 3(a)(ii), the Seller need not give any notice to, make any filing with, or obtain any authorization, consent, or approval of any Governmental Authority or any Person in order to consummate the transactions contemplated by this Agreement. Seller has received, or will have received by the Closing any written consent required of Southern Union Panhandle Corp. for Seller to execute and deliver this Agreement and for Seller to perform its obligations hereunder.

(iii) Noncontravention. Except for the approvals and filings specified in Section 3(a)(ii) or as set forth in Schedule 3(a)(iii), neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will (A) violate any statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any Governmental Authority to which the Seller is subject or any provision of its charter or bylaws or (B) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice, approval or consent under any agreement, contract, lease, license, instrument, or other arrangement to which the Seller is a party or by which it is bound or to which any of its assets is subject,

including the Centennial LLC Agreement, except for such violations, defaults, breaches, or other occurrences that do not, individually or in the aggregate, have a Material Adverse Effect or a material adverse effect on the ability of the Seller to consummate the transactions contemplated by this Agreement, and except for any requirements that have been specifically waived herein by the Buyers.

(iv) Brokers' Fees. The Seller has no liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which the Buyers could become liable or obligated.

(v) Capitalization of Centennial. Seller has legal and beneficial ownership of the Membership Interest, free and clear of any restrictions on transfer or Encumbrances other than as is provided in the Centennial LLC Agreement. Upon transfer of the Membership Interest to the Buyers pursuant to this Agreement, the Buyers will own, legally and beneficially, the Membership Interest as herein provided, in each case, free and clear of any restrictions on transfer or Encumbrances by, through or under Seller, other than as is provided in the Centennial LLC Agreement. Seller has no membership interests issued or outstanding in Centennial other than the Membership Interest. The Membership Interest has been duly authorized, is validly issued and is owned of record by the Seller. There are no outstanding or authorized options, warrants, purchase rights, subscription rights, conversion rights, exchange rights, or other contracts, commitments, equities, claims, or demands that could require the Seller to sell, transfer, or otherwise dispose of any of the Membership Interest (other than this Agreement). The Seller is not a party to any voting trust, proxy, or other agreement or understanding with respect to the voting of any membership interests, including the Membership Interest, of Centennial.

(vi) Litigation. There is no litigation pending against Seller or any of its Affiliates that seeks to modify or prevent the consummation of any of the transactions or related agreements contemplated herein.

(b) Representations and Warranties of each Buyer. Each Buyer, severally and not jointly, hereby represent represents and warrants to Seller as follows,

each Buyer representing and warranting only as to itself and not as to the other Buyer:

(i) Organization of the Buyers. MAP is a limited liability company duly organized, validly existing and in good standing under the Laws of the state of Delaware. TEPPCO is a limited partnership duly organized, validly existing and in good standing under the Laws of the state of Delaware. The Buyer is duly licensed or qualified and in good standing as a foreign entity authorized to do business in all jurisdictions wherein character of the property owned or leased, or the nature of the activities conducted, by it make such licensing or qualification necessary, except where the failure to be so licensed or qualified would not constitute a Material Adverse Effect on the Buyer.

(ii) Authorization of Transaction. The Buyer has full power and authority (including, with respect to MAP, full limited liability company power and authority, and with respect to TEPPCO, full limited partnership power and authority) to execute and deliver this Agreement and to perform its obligations hereunder. Upon receipt of the approval of the applicable Board of Directors or Board of Managers referenced in Schedule 3(b)(ii), this Agreement and the transactions contemplated hereby will have been duly authorized by all requisite limited liability company or partnership, as applicable, action on the part of the Buyer and no further limited liability company or partnership approvals will be required to execute and deliver this Agreement or to consummate such transactions. This Agreement has been duly executed and delivered by Buyer and constitutes the valid and legally binding obligation of the Buyer, enforceable in accordance with its terms and conditions, subject, however, to the effects of bankruptcy, insolvency, reorganization, moratorium, or similar Laws affecting creditors' rights generally and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). Except as set forth on Schedule 3(b)(ii) with respect to such Buyer, the Buyer need not give any notice to, make any filing with, or obtain any authorization, consent, or approval of any Governmental Authority or any Person in order to consummate the transactions contemplated by this Agreement.

(iii) Noncontravention. Except for the approvals and filings specified in Section 3(b)(ii) or as set forth in Schedule 3(b)(iii) with respect to such Buyer, neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will (A) violate any statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any Governmental Authority to which the Buyer is subject or any provision of its charter or bylaws or (B) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any Party the right to accelerate, terminate, modify, or cancel, or require any notice, approval or consent under any agreement, contract, lease, license, instrument, or other arrangement to which the Buyer is a party or by which it is bound or to which any of its assets is subject, including the LLC Agreement, except for such violations, defaults, breaches, or other occurrences that do not, individually or in the aggregate, have a Material Adverse Effect on such Buyer or material adverse effect on the ability of the Buyer to consummate the transactions contemplated by this Agreement, except for any requirements that have been specifically waived herein by Seller.

(iv) Brokers' Fees. The Buyer has no liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which Seller could become liable or obligated.

(v) Investment. The Buyer is not acquiring the Membership Interest with a view to or for sale in connection with any distribution thereof within the meaning of the Securities Act. The Buyer, together with its directors and executive officers and advisors, is familiar with investments of the nature of the Membership Interest, understands that this investment involves substantial risks, has adequately investigated the Membership Interest, and has substantial knowledge and experience in financial and business matters such that it is capable of evaluating, and has evaluated, the merits and risks inherent in purchasing the Membership Interest, and is able to bear the economic risks of such investment.

(vi) Financing. At Closing, the Buyer will have sufficient immediately available funds (excluding financing tied specifically to or secured primarily by the Membership Interest) to enable it to make payment of the Purchase Price at Closing without encumbrance or delay and without causing the Buyer to become insolvent or to declare insolvency.

(vii) Litigation. There is no litigation pending against either of the Buyers or any of their respective Affiliates that seeks to modify or prevent the consummation of any of the transactions or related agreements contemplated herein.

(c) Disclaimer of Representations and Warranties Concerning Membership Interest. Each Buyer acknowledges that (a) it has had and pursuant to this Agreement will have before Closing reasonable access to the Seller (with respect to the Membership Interest) and the officers and employees of the Seller, and (b) in making the decision to enter into this Agreement and consummate the transactions contemplated hereby, the Buyer has relied solely on the basis of its knowledge of Centennial and the Centennial Assets by virtue of its status as a member of Centennial, its own independent investigation and upon the express representations, warranties, covenants, and agreements set forth in this Agreement. Accordingly, each Buyer acknowledges that, except as expressly set forth in this Agreement or in other written agreements, the Seller has not made, and THE SELLER MAKES NO AND DISCLAIMS ANY REPRESENTATION OR WARRANTY, WHETHER EXPRESS OR IMPLIED, WHETHER BY COMMON LAW, STATUTE, OR OTHERWISE, REGARDING SELLER'S MEMBERSHIP INTEREST OR ANY OF THE CENTENNIAL ASSETS REPRESENTED BY SUCH MEMBERSHIP INTEREST, INCLUDING (i) THE QUALITY, CONDITION, OR OPERABILITY OF ANY PERSONAL PROPERTY, EQUIPMENT, OR FIXTURES, (ii) ITS MERCHANTABILITY, (iii) ITS FITNESS FOR ANY PARTICULAR PURPOSE, OR (iv) ITS CONFORMITY TO MODELS, SAMPLES OF MATERIALS OR MANUFACTURER DESIGN. Nothing in this Agreement, including this Section 3(c), shall modify or terminate any representation or warranty made by Seller or any of its Affiliates or former Affiliates to Buyers, their Affiliates or Centennial, in other written agreements or in connection with other transactions, including without limitation, that certain Formation Agreement dated as of August 10, 2000 by and among PEPL, MAP and TEPPCO.

4. Pre-Closing Covenants. The Parties agree as follows with respect to the period between the date of this Agreement and the Closing:

(a) General. Each Party will use its reasonable commercial efforts to take all action and to do all things necessary, proper, or advisable in order to consummate and make effective the transactions contemplated by this Agreement.

(b) Notices and Consents. The Seller will give any notices to third parties and will use its reasonable commercial efforts to obtain any third party consents necessary for the consummation of the transaction contemplated by this Agreement. Each of the Parties will (and the Seller will and each Buyer will cause its Affiliates to) give any notices to, make any filings with, and use its reasonable commercial efforts to obtain any authorizations, consents, and approvals of Governmental Authorities or any Persons in connection with the matters referred to in Section 3(a)(ii), Section 3(b)(ii) and Section 4(b) so as to permit the Closing to occur by February 14, 2003, or as soon thereafter as possible. The Parties shall cooperate in the preparation of any filings required to be made with any Governmental Agency in connection with the transaction contemplated hereby.

(c) Full Access. The Seller will permit representatives of each Buyer to have full access at all reasonable times, and in a manner so as not to interfere with the normal business operations of the Seller to all premises, properties, personnel, books, records, contracts, and documents of or pertaining to Seller's Membership Interest. Any information obtained by a Buyer, its employees, representatives, consultants, attorneys, agents, lenders and other advisors under this Section 4(c) shall be considered and held confidential. All "due diligence" activities of the Buyers shall be conducted in accordance with applicable Laws and each Buyer shall indemnify the Seller and its Affiliates from and against all damages, losses and liabilities incurred as a result of such Buyer's negligence or willful misconduct in the conduct of such activities.

(d) Waiver of Buyers' Rights Under LLC Agreement. For the purposes of this transaction only, each Buyer hereby waives its rights under Section 10.04 of the LLC Agreement and hereby agrees that the sale and purchase of Seller's Membership Interest is to be consummated and governed by this Agreement.

(e) Cash Calls. Each Buyer acknowledges that there are no outstanding calls for capital contributions to be made by the members of Centennial as of January 16, 2003. Subject to Section 8(b) below, as of the date hereof, Seller shall be relieved, and each of the Buyers shall cause Centennial to relieve Seller, of any obligation to make any further capital contributions to Centennial.

(f) Centennial Debt. Each Buyer shall use reasonable commercial efforts to obtain the release of PEPL from its obligations as Guarantor of the Centennial Project Debt with Prudential Insurance Company of America ("Prudential") effective as of the Closing Date or as soon thereafter as possible. From the Closing Date until Prudential has advised PEPL that it has been released of its obligations as Guarantor, each of the Buyers, individually and limited to the extent of their Post-Closing Membership Interest in Centennial, agrees to defend and indemnify and hold PEPL harmless for all Adverse Consequences, including without limitation the payment of principal, interest and penalties and credit fees, if any, incurred by PEPL as such Guarantor from and after the Closing Date except to the extent such payments relate to matters occurring prior to the Closing Date. Subject to Section 8(b) below, as of the date of execution of this Agreement, PEPL and its parent and Affiliates shall be relieved of their responsibilities to make credit support payments to either of the Buyers.

(g) Conduct of Business. Except as expressly provided elsewhere in this Agreement, Seller agrees not (i) to sell transfer, pledge or otherwise dispose of or encumber its Membership Interest; (ii) to cancel or compromise any of the Centennial Project Debt; (iii) other than voting its Membership Interest in any action to come before the Centennial Board of Managers, to take any action on behalf of or in the name of Centennial; or (iv) to agree to do any of the foregoing.

(h) Maintenance Agreement. Seller shall cause its Affiliate CMS Trunkline Gas Company ("Trunkline") and MAP shall cause its Affiliate Marathon Ashland Pipe Line LLC ("MAPL") to execute an amendment to the Maintenance Agreement dated May 4, 2001 between Trunkline and MAPL ("Maintenance Agreement") in the form of Exhibit 4(h) hereto.

5. Post-Closing Covenants. The Parties agree as follows:

(a) General. If at any time after the Closing any further action is necessary to carry out the purposes of this Agreement, each of the Parties will take such further action (including the execution and delivery of such further instruments and documents) as the other Party reasonably may request, all at the sole cost and expense of the requesting Party (unless the requesting Party is entitled to indemnification therefor under Section 7).

(b) Litigation Support. In the event and for so long as any Party actively is contesting or defending against any action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand in connection with (i) any transaction contemplated under this Agreement or (ii) any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act, or transaction on or before the Closing Date involving Centennial or any of the Centennial Assets, the other Parties shall cooperate with the contesting or defending Party and its counsel in the defense or contest, make available its personnel, and provide such testimony and access to its books and records (other than books and records which are subject to privilege or to confidentiality restrictions) as shall be necessary in connection with the defense or contest, all at the sole cost and expense of the contesting or defending Party (unless the contesting or defending Party is entitled to indemnification therefor under Section 7 or is adverse to such other Party or Parties).

(c) Surety Bonds; Other Guarantees. In addition to the obligation of the Buyers with respect to the Centennial Project Debt as provided in Section 4(f) above, each of the Buyers or their Affiliates, individually and limited to the extent of their Post-Closing Membership Interest in Centennial, agrees to be substituted as the surety or guarantor of those surety bonds or other guarantees listed on Schedule 5(c), as well as any other surety bonds or other guarantees as properly authorized by Centennial, issued by the Seller or any of its Affiliates with respect to Centennial or the Centennial Assets, effective as of the Closing Date, but such substitution as surety or guarantor shall not encompass any claims, obligations or liabilities that may arise with respect to matters or events occurring prior to the Closing Date under such surety bonds or other guarantees. Buyers and Seller shall cooperate to effect all such substitutions and each Buyer shall indemnify and hold Seller and its Affiliates harmless from and against any Adverse Consequences arising from and after the Closing due to the failure of such Buyer or its Affiliate to be so substituted.

(d) Reimbursement Agreement. Each of the Buyers agrees to vote its membership interest in support of the compliance by Centennial with its obligation, pursuant to the existing terms and conditions of the Reimbursement Agreement between Centennial and Trunkline dated August 10, 2000, to reimburse Trunkline for the agreed costs associated with the abandonment of Trunkline's 26-inch natural gas pipeline subsequently contributed to Centennial.

(e) Confidentiality Agreement. Upon consummation of the transactions contemplated by this Agreement, Seller agrees that it and its Affiliates and employees will maintain in confidence and not use any and all information relating to Centennial or its assets or operations, except for such information as becomes public knowledge through no breach of this or any other confidentiality undertaking or information that it is required to be disclosed by Law or by order of a Governmental Authority. Seller shall treat, and shall cause its Affiliates and employees to treat, such confidential information in the same manner as it treats its own confidential business information.

(f) Records. On or as promptly as practicable after the Closing Date, Seller shall, and shall cause its Affiliates to, deliver to the Buyers or Centennial as the case may be, all records in the possession of Seller or its Affiliates pertaining to the operation of Centennial other than those Seller is required to retain by law or for audit purposes. Seller shall maintain the records which are not included in the records delivered to the Buyers, and will make such records reasonably available, without charge, to the Buyers at a reasonable place and time. The Buyers shall be entitled to make copies thereof (at Buyers' cost) as they shall deem necessary for purposes of making such records available to appropriate Governmental Authorities or for other proper corporate purposes in connection with this Agreement or Centennial's business. As a condition to such access, review and copying, Seller may require that the Buyers keep all such records and data contained therein confidential in the same manner as such company would keep similar records of its own. Notwithstanding the foregoing, Seller shall not be obligated to make available any such records that are privileged or that Seller is prohibited from disclosing by law.

(g) Right-of-Way Records. As soon as reasonably practicable after the Closing Date, but in no event later than May 1, 2003, Seller agrees to provide the Buyers and Centennial, collectively, with (i) a copy of all right-of-way records, including applicable easements and assignments, pertaining to or affecting the Shared Rights-of-Way (as such term is defined in the "Conveyance, Assignment and Bill of Sale" from Trunkline Pipeline Holdings, Inc. (predecessor in interest to Seller) to Centennial effective as of April 2, 2001), and (ii) the originals of all right-of-way records, including applicable easements and assignments, pertaining to or affecting the Exclusive Rights-of-Way (as such term is defined in the aforementioned "Conveyance, Assignment and Bill of Sale"), to the extent such records are within the possession and control of Seller or any of its Affiliates. Seller agrees to provide the Buyers and Centennial, collectively, with copies of any future amendments, extensions and renewals and other changes and modifications (collectively, "Changes") to or of any documents affecting the Shared Rights-of-Way as soon as reasonably practicable following such Changes. Seller and the Buyers and Centennial, collectively, shall cooperate and endeavor to agree as to the manner and process by which the records are to be copied and provided. Seller shall have the right to use an outside contractor for such purpose, provided that the selection of such contractor shall be subject to the reasonable approval of the Buyers and Centennial, collectively. The Buyers agree, or agree to cause Centennial, to reimburse Seller or its designated Affiliate for Seller's or its Affiliate's reasonable costs and expenses, including its internal costs, incurred in copying or otherwise incurred in providing such records within fifteen (15) days from their receipt of an invoice for such costs and expenses. Buyers agree, and will cause their Affiliates and Centennial and employees to agree, to treat and maintain such records in the same manner as they maintain their own right-of-way records. Seller and the Buyers and Centennial, collectively, agree to advise the other party of any issues, claims or controversies alleged by Governmental Entities or Persons concerning the Shared-Rights-of-Way and within the knowledge of such Party or its Affiliates. Buyers further agree, and will cause their Affiliates and Centennial and employees to agree, not to initiate any conversations, discussions or negotiations of any kind or nature with any landowner or other interest owner of any of the properties covered by the Shared Rights-of-Way so long as Trunkline or another Affiliate of Seller is maintaining the Shared Rights-of-Way on behalf of Centennial or its operator, without the express prior consent of Seller or such Affiliate, which consent shall not

unreasonably be withheld. By January 31 of each year following the Closing, or as soon thereafter as the required information is available to Seller, Seller or its Affiliate agrees to furnish the Buyers and Centennial, collectively, with a certificate from one of its authorized officials certifying that to the best of Seller's or such Affiliate's knowledge, information and belief, all payments of any kind required to have been paid during the previous calendar year in order to maintain the validity and efficacy of the Shared Rights-of-Way have been made. The Parties acknowledge and agree that nothing in this subparagraph (g) shall be deemed (i) to affect any of the rights and obligations of any of the Parties or of Centennial, or any of their successors and permitted assigns, pursuant to Section 11.7 of the Formation Agreement dated August 10, 2000, or (ii) to enlarge or otherwise affect or alter any of the "Assigned Rights in Shared Rights-of-Way" (as such term is defined in the aforementioned "Assignment, Bill of Sale and Conveyance") granted Centennial thereunder. To the extent any of Seller's obligations under this subparagraph (g) are duplicative of any of the obligations of Trunkline under the Maintenance Agreement and/or any other agreements between Trunkline and MAPL affecting the Maintenance Agreement while the Maintenance Agreement and/or such agreements are in effect, the performance of Seller or its Affiliate under this subparagraph (g) or under the Maintenance Agreement and/or such other agreements shall be deemed performance under all such agreements.

6. Conditions to Obligation to Close.

(a) Conditions to Obligation of the Buyers. The obligation of the Buyers to consummate the transactions to be performed by it in connection with the Closing is subject to satisfaction of the following conditions:

(i) the representations and warranties of the Seller contained in Section 3(a) shall be true and correct as of the date of this Agreement and as of the Closing Date (except to the extent expressly made as of a specific date), except to the extent that any failures of such representations and warranties to be so true and correct, in the aggregate, would not have a Material Adverse Effect on Seller or Centennial or a material adverse effect on the ability of the Seller to consummate the transactions contemplated hereby;

(ii) the Seller shall have performed and complied with all of its

covenants hereunder in all material respects through the Closing;

(iii) there shall not be any injunction, judgment, order, decree, ruling, or charge in effect preventing consummation of any of the transactions contemplated by this Agreement, nor shall there be any litigation pending on behalf of any Governmental Authority that seeks to modify or prevent the consummation of the transactions contemplated herein;

(iv) any and all required prior partnership approvals or approvals of any Governmental Authority or Person or otherwise called for in Schedules 3(a)(ii), 3(a)(iii), 3(b)(ii) and 3(b)(iii) shall have been received;

(v) any and all required prior partnership approvals or approvals of the Board of Directors or Board of Managers of each of the Buyers shall have been obtained;

(vi) To the extent provided for under applicable law, Seller shall have delivered to Buyers certificates or other writings issued by appropriate Governmental Authorities evidencing that all applicable state franchise and similar taxes have been paid in the states of Delaware, Texas and Illinois;

(vii) The deliveries called for by Section 2(d) shall have occurred;

(viii) Trunkline shall have executed an amendment to the Maintenance Agreement as contemplated in Section 4(h) hereof in the form of Exhibit 4(h) hereto and delivered same to Buyers.

(ix) The Seller shall have delivered to the Buyers any required consent of Southern Union Panhandle Corp. as contemplated by Section 3(a)(ii) for the transactions contemplated by this Agreement, specifically including the amendment the Maintenance Agreement, in form satisfactory to the Buyers; and

(x) The Seller shall have delivered to the Buyers a certificate, signed by an appropriate officer of Seller, to the effect that (a) each of the conditions specified in subsection 6(a)(i) through 6(a)(ix) has been satisfied in all respects, and (b) certifying as to the accuracy and completeness of the copies of, as well as the current effectiveness

of, the resolutions attached thereto as the approval by the Board of Managers of Seller authorizing the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated herein and the incumbency of the officer executing this Agreement on behalf of Seller and any other documents to be executed at the Closing.

Each Buyer may waive on its own behalf any condition specified in this Section 6(a) if it executes a writing so stating at or before the Closing.

(b) Conditions to Obligation of the Seller. The obligation of the Seller to consummate the transactions to be performed by it in connection with the Closing is subject to satisfaction of the following conditions:

(i) the representations and warranties of each Buyer contained in Section 3(b) shall be true and correct as of the date of this Agreement and as of the Closing Date (except to the extent expressly made as of a specific date), except to the extent that any failures of such representations and warranties to be so true and correct, in the aggregate, would not have a material adverse effect on the ability of such Buyer to consummate the transactions contemplated hereby;

(ii) each Buyer shall have performed and complied with all of its covenants hereunder in all material respects through the Closing;

(iii) there shall not be any injunction, judgment, order, decree, ruling, or charge in effect preventing consummation of any of the transactions contemplated by this Agreement, nor shall there be any litigation pending on behalf of any Governmental Authority that seeks to modify or prevent the consummation of the transactions contemplated herein;

(iv) any and all required prior approvals of any Governmental Authority or Person or otherwise called for in Schedules 3(a)(ii), 3(a)(iii), 3(b)(ii) and 3(b)(iii) shall have been received;

(v) any and all required prior approvals of the Board of Managers of Seller shall have been obtained;

(vi) the deliveries called for by Section 2(d) shall have occurred;

(vii) MAPL shall have executed an amendment to the Maintenance Agreement as contemplated in Section 4(h) hereof in the form of Exhibit 4(h) hereto and delivered same to Seller;

(viii) each Buyer shall have delivered to Seller a certificate, signed by an appropriate officer of such Buyer, to the effect that (a) each of the conditions specified in subsection 6(b)(i) through 6(b)(vii) as applicable to such Buyer has been satisfied in all respects, and (b) certifying as to the accuracy and completeness of the copies of, as well as the current effectiveness of, the resolutions attached thereto as the approval by the Board of Directors or Board of Managers, as applicable, of such Buyer authorizing the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated herein and the incumbency of the officers executing this Agreement on behalf of such Buyer and any other documents to be executed at the Closing.

The Seller may waive any condition specified in this Section 7(b) if it executes a writing so stating at or before the Closing.

7. Remedies for Breaches of this Agreement.

(a) Survival of Representations, Warranties and Certain Covenants. All of the representations and warranties of the Seller contained in Section 3 (other than Section 3(a)(v)) shall survive the Closing hereunder for a period of 18 months after the date of the Closing; and the representations and warranties in Section 3(a)(v) shall survive the Closing indefinitely. The representations and warranties of the Buyers contained in Section 3 shall survive the Closing for a period of 18 months after the date of the Closing. Except as otherwise provided herein, the covenants contained in this Agreement to be performed after the Closing shall survive the Closing indefinitely.

(b) Indemnification Provisions for Benefit of the Buyers.

(i) Subject to the provisions of Section 7(a), in the event the Seller breaches any of its representations, warranties, and covenants contained in this Agreement, the Seller agrees to indemnify each of the Buyers from and against any Adverse Consequences to the extent they are caused proximately by any such breach and suffered by the Buyers before, during and after the date of the claim for indemnification; provided, however, that Seller shall have no obligation to indemnify Buyers from any such Adverse Consequences unless a bona fide written claim for indemnification pursuant to Section 9(g) is delivered to Seller during the 18-month period after the date of the Closing, except with respect to claims for indemnification with respect to the representation and warranties in Section 3(a)(v) for which there shall be no time limitations;

(ii) Except for the rights of indemnification provided in this Section 7, the Buyers hereby waive any claim or cause of action pursuant to common or statutory law or otherwise against the Seller or its parent or Affiliates regarding obligations and liabilities of any nature whatsoever that are attributable to the transfer of the Membership Interest pursuant to this Agreement, whether arising before or after the Closing Date.

(c) Indemnification Provisions for the Benefit of the Seller. Subject to the provisions of Section 7(a), in the event a Buyer breaches any of its representations, warranties and covenants contained herein, that the Buyer agrees to indemnify the Seller from and against any Adverse Consequences caused proximately by the breach and suffered by the Seller before, during or after the date of the claim for indemnification; provided however, that Buyers shall have no obligation to indemnify Sellers from any such Adverse Consequences unless a bona fide written claim for indemnification is delivered to Buyers in accordance with Section 9(g) during the 18-month period after the date of the Closing.

(d) Matters Involving Third Parties.

(i) If any third party shall notify any Party (the "Indemnified Party") with respect to any matter (a "Third Party Claim") that may give rise to a claim for indemnification against any other Party (the "Indemnifying Party") under this Section 7, then the Indemnified Party shall promptly notify the Indemnifying Party thereof in writing;

(ii) The Indemnifying Party will have the right to assume and thereafter conduct the defense of the Third Party Claim with counsel of its choice reasonably satisfactory to the Indemnified Party; provided, however, that the Indemnifying Party will not consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnified Party (not to be withheld unreasonably) unless the judgment or proposed settlement involves only the payment of money damages and does not impose an injunction or other equitable relief upon the Indemnified Party;

(iii) Unless and until the Indemnifying Party assumes the defense of the Third Party Claim as provided in subsection 7(d)(ii), the Indemnified Party may defend against the Third Party Claim in any manner it reasonably may deem appropriate; and

(iv) In no event will the Indemnified Party consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnifying Party which consent shall not be withheld unreasonably.

(e) Determination of Amount of Adverse Consequences. The Adverse Consequences giving rise to any indemnification obligation hereunder shall be limited to the actual loss suffered by the Indemnified Party (i.e., reduced by any insurance proceeds or other payment or recoupment received, realized or retained by the Indemnified Party as a result of the events giving rise to the claim for indemnification net of any expenses related to the receipt of such proceeds, payment or recoupment, including retrospective premium adjustments, if any). Upon the request of the Indemnifying Party, the Indemnified Party shall provide the Indemnifying Party with information sufficient to allow the Indemnifying Party to

calculate the amount of the indemnity payment in accordance with this Section 7(e). An indemnified party shall take all reasonable steps to mitigate damages in respect of any claim for which it is seeking indemnification and shall use reasonable best efforts to avoid any costs or expenses associated with such claim and, if such costs and expenses cannot be avoided, to minimize the amount thereof.

8. Termination.

(a) Termination of Agreement. The Parties may terminate this Agreement as provided below:

(i) The Buyers and the Seller may terminate this Agreement by mutual written consent of all Parties at any time before the Closing;

(ii) Either Buyer may terminate this Agreement by giving written notice to the Seller at any time before Closing in the event the Seller has breached any representation, warranty or covenant contained in this Agreement in any material respect, the Buyer has notified the Seller of the breach, the breach has continued without cure for a period of 10 days after the notice of breach and such breach would result in a failure to satisfy a condition to Buyer's obligation to consummate the transactions contemplated hereby;

(iii) The Seller may terminate this Agreement by giving written notice to the Buyers at any time before the Closing in the event a Buyer has breached any representation, warranty or covenant contained in this Agreement in any material respect, the Seller has notified the Buyer of the breach, the breach has continued without cure for a period of 10 days after the notice of breach and such breach would result in a failure to satisfy a condition to Seller's obligation to consummate the transactions contemplated hereby;

(iv) Either of the Buyers or the Seller may terminate this Agreement if any court of competent jurisdiction or any governmental, administrative or regulatory authority, agency or body shall have issued an order, decree or ruling or shall have taken any other action permanently enjoining, restraining or otherwise prohibiting the transactions contemplated hereby and such order, decree, ruling or other action shall have become final and nonappealable; or

(v) Either of the Buyers or the Seller may terminate this Agreement if Closing has not occurred by March 1, 2003 (unless the Parties agree to extend such date, in which event, by such extended date), unless such failure to close by such date is due to the breach by the Party seeking to terminate of any of its representations, warranties or covenants under this Agreement.

(b) Effect of Termination. If any Party terminates this Agreement pursuant to Section 8(a), all rights and obligations of the Parties hereunder shall terminate without any liability of any Party to any other Party (except for any liability of any Party then in breach); provided however, that the confidentiality provisions agreed to herein shall survive termination. In the event of a termination, all of Seller's or its Affiliates' obligations to the Buyers or Centennial, including without limitation, the making of capital contributions, or the payment of credit support payments, shall be reinstated retroactive to January 16, 2003 and Seller shall make such payments within five business days after the termination of this Agreement. Likewise, the Buyers' agreements herein to assume any obligations of Seller or its Affiliates and to indemnify and defend Seller and its Affiliates with respect thereto shall terminate as of the effective dates of such undertakings and shall be of no force or effect. If, prior to the termination of this Agreement, any payments are made or other obligations undertaken by either Buyer in conjunction with such assumed obligations or agreements to defend and indemnify, Seller shall promptly upon such termination assume all such obligations and agreements and shall promptly reimburse the Buyers within five business days after the termination of this Agreement. Likewise, in such event, the release of Seller, PEPL, their parents and Affiliates of any obligations or responsibilities to make payments or otherwise shall be terminated as of the effective date of such release and shall be of no force and effect.

9. Miscellaneous.

(a) No Joint Liability. The rights, entitlements and obligations of the Buyers shall be several, and not joint or joint and several, and shall be in the ratio of their Post-Closing Membership Interest in Centennial.

(b) Press Releases and Public Announcements. No Party shall issue any press release or make any public announcement relating to the subject matter of this Agreement before the Closing without the prior written approval of

the other Parties; provided that any Party may make any public disclosure it believes in good faith is required by applicable Law or any listing or trading agreement concerning its publicly traded securities (in which case the disclosing Party will use its reasonable best efforts to advise the other Parties before making the disclosure).

(c) No Third Party Beneficiaries. Except as specifically provided herein, this Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

(d) Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests or obligations hereunder without the prior written approval of the other Parties, except that a Buyer may assign its rights hereunder to an Affiliate, provided that such Buyer shall continue to be responsible and liable for its obligations hereunder.

(e) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but which together will constitute one and the same instrument.

(f) Headings. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

(g) Notices. All notices, requests. demands, claims, and other communications hereunder will be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly given two business days after it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth below:

If to the Seller: CMS Panhandle Holdings, LLC
5444 Westheimer Road, Suite 500
Houston, Texas 77056
Attention: President

With a copy to:
CMS Gas Transmission Company
Fairlane Plaza North
330 Town Center Drive, Suite 3000
Dearborn, Michigan 48126
Attention: General Counsel

If to either or both Buyers:

Marathon Ashland Petroleum LLC
539 South Main Street
Findlay, Ohio 45840
Attention: Vice President, Business Development

-- and --

TE Products Pipeline Company, LP
P. O. Box 2521
Houston, Texas 77252
Attention: President and CEO

Any Party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the addresses set forth above using any other means (including personal delivery, expedited courier, messenger service, telecopy, facsimile, ordinary mail, or electronic mail), but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient. Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

(h) Governing Law. This Agreement shall be governed by and construed in accordance with the domestic Laws of the state of Delaware without giving effect to any choice or conflict of law provision or rule (whether of the state of Delaware or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the state of Delaware.

(i) Amendments and Waivers. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by the Buyers and the Seller. No waiver by any Party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence

(j) Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or

the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

(k) Transaction Expenses. Each of the Buyer and the Seller will bear its own costs and expenses (including legal fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby.

(l) Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or Law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word "including" shall mean including without limitation.

(m) Incorporation of Exhibits and Schedules. The Exhibits and Schedules identified in this Agreement are incorporated herein by reference and made a part hereof.

(n) ENTIRE AGREEMENT. THIS AGREEMENT (INCLUDING THE DOCUMENTS REFERRED TO HEREIN) CONSTITUTES THE ENTIRE AGREEMENT AMONG THE PARTIES AND SUPERSEDES ANY PRIOR UNDERSTANDINGS, AGREEMENTS, OR REPRESENTATIONS BY OR AMONG THE PARTIES, WRITTEN OR ORAL, WITH RESPECT TO THE SUBJECT MATTER HEREOF.

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

CMS PANHANDLE HOLDINGS, LLC

By: /s/ CHRISTOPHER A. HELMS

Name: Christopher A. Helms

Title: President

MARATHON ASHLAND PETROLEUM LLC

By: /s/ A. R. KENNEY

Name: A.R. Kenney

Title: Vice President Business Development

TE PRODUCTS PIPELINE COMPANY, LIMITED PARTNERSHIP
By: TEPPCO GP, Inc.,
Its General Partner

By: /s/ CHARLES H. LEONARD

Name: Charles H. Leonard

Title:: Senior Vice President

EXHIBIT 2(d)

ASSIGNMENT AND CONVEYANCE

THIS ASSIGNMENT AND CONVEYANCE, made and entered into effective as of the _____day of __________________, 2003, by and between CMS PANHANDLE HOLDINGS, LLC, a Delaware limited liability company ("ASSIGNOR") and TE PRODUCTS PIPELINE COMPANY, LIMITED PARTNERSHIP, a Delaware limited partnership ("ASSIGNEE").

W-I-T-N-E-S-S-E-T-H

WHEREAS, ASSIGNOR'S predecessor in interest Panhandle Eastern Pipe Line Company, ASSIGNEE and Marathon Ashland Petroleum LLC ("Marathon") are parties to that certain Amended and Restated Limited Liability Company Agreement of Centennial Pipeline LLC dated August 10, 2000 (the "Centennial LLC Agreement"); and

WHEREAS, ASSIGNOR, ASSIGNEE and Marathon are parties to that certain LLC Membership Interest Purchase Agreement dated as of _______________________, 2003 pursuant to which ASSIGNOR agreed to sell its membership interest in Centennial Pipeline, LLC ("Centennial") to ASSIGNEE and Marathon, in equal shares, and ASSIGNEE and Marathon agreed to purchase such membership interest from ASSIGNOR; and

WHEREAS, ASSIGNOR and ASSIGNEE desire to consummate the agreement of the parties to the LLC Membership Interest Purchase Agreement with respect to the share of ASSIGNOR's membership interest in Centennial to be sold to and purchased by ASSIGNEE.

NOW, THEREFORE, for the consideration set forth and agreed to in the aforesaid LLC Membership Interest Purchase Agreement, ASSIGNOR does by these presents ASSIGN, TRANSFER AND CONVEY unto ASSIGNEE one-half of ASSIGNOR's 33 1/3% membership interest (or a total of 16 2/3%) in Centennial together with all of ASSIGNOR'S rights, title, and interest associated with such share of such membership interest (collectively "Membership Rights") pursuant to the Centennial LLC Agreement.

TO HAVE AND TO HOLD the Membership Rights together with all other rights thereunto belonging to ASSIGNEE, its successors and assigns.

ASSIGNEE hereby accepts and assumes, and agrees to perform all of ASSIGNOR'S duties and obligations arising from and after the Effective Date hereof under and with respect to the Membership Rights assigned hereunder.

This Assignment is being made pursuant to the LLC Membership Interest Purchase Agreement referenced above. In addition to the express representations, warranties, covenants and conditions set forth hereinabove, this Assignment shall be subject to each of the representations, warranties, covenants and conditions contained in said LLC Membership Interest Purchase Agreement.

IN WITNESS WHEREOF, each of the parties hereto has caused this Assignment and Conveyance to be executed by its duly authorized official effective as of the ______ day of _____________, 2003 ("Effective Date").

CMS PANHANDLE HOLDINGS, LLC

By: ____

Name: ______________________________________

Title: _____________________________________

TE PRODUCTS PIPELINE COMPANY, LIMITED PARTNERSHIP
By: TEPPCO GP, Inc. Its General Partner

By: ____

Name: ______________________________________

Title: _____________________________________

EXHIBIT 2(d)

ASSIGNMENT AND CONVEYANCE

THIS ASSIGNMENT AND CONVEYANCE, made and entered into effective as of the _____day of __________________, 2003, by and between CMS PANHANDLE HOLDINGS, LLC, a Delaware limited liability company ("ASSIGNOR") and MARATHON ASHLAND PETROLEUM LLC, a Delaware limited liability company ("ASSIGNEE").

W-I-T-N-E-S-S-E-T-H

WHEREAS, ASSIGNOR'S predecessor in interest Panhandle Eastern Pipe Line Company, ASSIGNEE and TE Products Pipeline Company, Limited Partnership ("TEPPCO") are parties to that certain Amended and Restated Limited Liability Company Agreement of Centennial Pipeline LLC dated August 10, 2000 (the "Centennial LLC Agreement");

WHEREAS, ASSIGNOR, ASSIGNEE and TEPPCO are parties to that certain LLC Membership Interest Purchase Agreement dated as of _______________________, 2003 pursuant to which ASSIGNOR agreed to sell its membership interest in Centennial Pipeline, LLC ("Centennial") to ASSIGNEE and TEPPCO, in equal shares, and ASSIGNEE and TEPPCO agreed to purchase such membership interest from ASSIGNOR; and

WHEREAS, ASSIGNOR and ASSIGNEE desire to consummate the agreement of the parties to the LLC Membership Interest Purchase Agreement with respect to the share of ASSIGNOR's membership interest in Centennial to be sold to and purchased by ASSIGNEE.

NOW, THEREFORE, for the consideration set forth and agreed to in the aforesaid LLC Membership Interest Purchase Agreement, ASSIGNOR does by these presents ASSIGN, TRANSFER AND CONVEY unto ASSIGNEE one-half of ASSIGNOR's 33 1/3% membership interest (or a total of 16 2/3%) in Centennial together with all of ASSIGNOR's rights, title, and interest associated with such share of such membership interest (collectively "Membership Rights") pursuant to the Centennial LLC Agreement.

TO HAVE AND TO HOLD the Membership Rights together with all other rights thereunto belonging to ASSIGNEE, its successors and assigns.

ASSIGNEE hereby accepts and assumes, and agrees to perform, all of ASSIGNOR'S duties and obligations arising from and after the Effective Date hereof under and with respect to the Membership Rights assigned hereunder.

This Assignment is being made pursuant to the LLC Membership Interest Purchase Agreement referenced above. In addition to the express representations, warranties, covenants and conditions set forth hereinabove, this Assignment shall be subject to each of the representations, warranties, covenants and conditions contained in said LLC Membership Interest Purchase Agreement.

IN WITNESS WHEREOF, each of the parties hereto has caused this Assignment and Conveyance to be executed by its duly authorized official effective as of the ______ day of _____________, 2003 ("Effective Date").

CMS PANHANDLE HOLDINGS, LLC

By: ____

Name: ______________________________________

Title: _____________________________________

MARTHON ASHLAND PETROLEUM LLC

By: ____

Name: ______________________________________

Title: _____________________________________

EXHIBIT 4(h)

AMENDMENT TO MAINTENANCE AGREEMENT

THIS AMENDMENT, dated and effective as of the _____day of ___________________, 2003, between CMS TRUNKLINE GAS COMPANY, LLC, a Delaware limited liability company, formerly known as Trunkline Gas Company ("TGC") and MARATHON ASHLAND PIPE LINE, LLC, a Delaware limited liability company ("MAPL"). TGC and MAPL are at times hereinafter referred to individually as a "Party" and collectively as "Parties".

WITNESSETH:

WHEREAS, TGC and MAPL are parties to that certain "Maintenance Agreement" made and entered into as of May 4, 2001 (the "Maintenance Agreement"), pursuant to which TGC agreed to maintain the Trunkline 26 portion of the Long Haul System of the Centennial Line on behalf of MAPL, the Operator of the Centennial Line, as those terms are defined in said Maintenance Agreement;

WHEREAS, TGC and MAPL executed a certain Memorandum of Understanding in January 2002 (the "MOU") which further defined the scope of TGC's obligations under the Maintenance Agreement; and

WHEREAS, pursuant to a "LLC Membership Interest Purchase Agreement" entered into concurrently herewith among the members of Centennial Pipeline LLC, which include affiliates of the Parties hereto, the parties to that agreement have agreed on certain amendments to be made to the Maintenance Agreement: and

WHEREAS, the Parties hereto now desire to carry out the agreement of the parties to said LLC Membership Interest Purchase Agreement and to that end do hereby agree to amend the Maintenance Agreement as herein provided.

NOW THEREFORE, for and in consideration of the premises and the mutual benefits, covenants and agreements herein contained, the Parties hereto agree as follows:

1. Section 2.2 Term of the Maintenance Agreement shall be deleted in its entirety and the following substituted therefor:

   "2.2 Term. This Agreement shall run for a period which is the shorter of the following: (a) the period during which TGC or one of its Affiliates owns and operates one or more natural gas pipelines on the Shared Rights-of-Way; or (b) the period during

which the Trunkline 26 remains in use and operation; or (c) the period ending December 31, 2005 (the "Term"). The right of TGC to maintain the Trunkline 26 portion of the Long Haul System pursuant to this Agreement shall be binding on the successors and assigns of MAPL, in its capacity as operator of the Trunkline 26 portion of the Long Haul System."

2. Section 2.4(a) of the Maintenance Agreement shall be deleted in its entirety and the following substituted therefor:

   "(a) TGC shall neglect or fail to perform any or all of its obligations under this Agreement or the MOU and after thirty (30) days written notice of such default fails to rectify the same; or"

3. The first sentence of Section 5.1 Fee of the Maintenance Agreement shall be deleted in its entirety and the following substituted therefor: "TGC shall be paid an annual fee (the "Fee") of Two Million Five Hundred Thousand Dollars ($2,500,000) per year; provided, that for the calendar years 2003, 2004 and 2005, the Fee shall be Two Million Dollars ($2,000,000)."

4. Section 6.1 of the Maintenance Agreement shall be deleted in its entirety and the following substituted therefor:

   "6.1 (A) MAPL HEREBY AGREES TO RELEASE, INDEMNIFY, HOLD HARMLESS AND DEFEND TGC AND THE COMPANY, THEIR RESPECTIVE AFFILIATES AND THEIR RESPECTIVE OFFICERS, BOARD OF MANAGERS, DIRECTORS, MEMBERS, EMPLOYEES, SUCCESSORS AND ASSIGNS FROM AND AGAINST ANY AND ALL DAMAGES ARISING OUT OF, IN ANY WAY RELATING TO, OR IN ANY DEGREE CAUSED BY THE OPERATION OF THE CENTENNIAL LINE, EXCEPT FOR ANY SUCH DAMAGES ALLEGED TO RESULT FROM TGC'S NEGLIGENCE OR WILLFUL MISCONDUCT, AND WHETHER OCCURRING AS THE SOLE OR A CONCURRENT CAUSE OF AN ACT OR EVENT GIVING RISE TO AN INDEMNITY OBLIGATION HEREUNDER. TGC AND MAPL AGREE THAT THE INDEMNITY PROVIDED BY THIS SECTION IS TO BE CONSTRUED SO THAT IT IS AS BROAD AS IS PERMISSIBLE BY LAW, AND IS SUBJECT ONLY TO THOSE EXCEPTIONS AND LIMITATIONS REQUIRED FOR THIS INDEMNITY TO BE AND REMAIN VALID UNDER APPLICABLE LAW.

(B) TGC HEREBY AGREES TO RELEASE, INDEMNIFY, HOLD HARMLESS AND DEFEND MAPL, ITS AFFILIATES AND THEIR RESPECTIVE OFFICERS, BOARD OF MANAGERS, DIRECTORS, MEMBERS, EMPLOYEES, SUCCESSORS AND ASSIGNS FROM AND AGAINST ANY AND ALL DAMAGES ARISING OUT OF, IN ANY WAY RELATING TO, OR IN ANY DEGREE CAUSED BY THE OPERATION OF THE LONG HAUL SYSTEM ALLEGED TO RESULT FROM TGC'S NEGLIGENCE OR WILLFUL MISCONDUCT IN THE PERFORMANCE OF ITS OBLIGATIONS UNDER THIS AGREEMENT, AND WHETHER OCCURRING AS THE SOLE OR A CONCURRENT CAUSE OF AN ACT OR EVENT GIVING RISE TO AN INDEMNITY OBLIGATION HEREUNDER. TGC AND MAPL AGREE THAT THE INDEMNITY PROVIDED BY THIS SECTION IS TO BE CONSTRUED SO THAT IT IS AS BROAD IN SCOPE AS IS PERMISSIBLE BY LAW, AND IS SUBJECT ONLY TO THOSE EXCEPTIONS AND LIMITATIONS REQUIRED FOR THIS INDEMNITY TO BE AND REMAIN VALID UNDER APPLICABLE LAW."

5. The first sentence of Section 6.8 Settlements of the Maintenance Agreement shall be deleted in its entirety and the following substituted therefor: "All Claims for Damages against MAPL (i) arising out of or in any way relating to the Operation of the Long Haul System and (ii) not discharged by insurance required hereunder shall be defended by TGC, with the approval of MAPL, at the expense of MAPL but no claim for Damages against MAPL or TGC shall be settled by TGC for a sum in excess of Ten Thousand Dollars ($10,000), and no multiple claims for Damages against MAPL or TGC shall be settled by TGC for a cumulative sum in excess of Twenty Thousand Dollars ($20,000) without prior approval of MAPL or such person or persons as may be authorized by MAPL to approve such settlements.

6. Unless otherwise specifically provided herein, the capitalized terms used in this Amendment shall have the same meaning ascribed to those terms in the Maintenance Agreement.

7. This Amendment shall be effective as of the effective date of the Assignment and Conveyance provided for in the above-referenced LLC Membership Interest Purchase Agreement.

8. As amended hereby, the Maintenance Agreement shall remain in effect according to its original terms

IN WITNESS WHEREOF, the Parties have caused this Amendment to be executed in multiple counterparts, each of which shall be an original but which when taken together shall be deemed but one and the same instrument, effective as provided herein.

CMS TRUNKLINE GAS COMPANY, LLC

By: ____

Title: _______________________________________

MARATHON ASHLAND PIPE LINE LLC

By: ____

Title: _______________________________________

SCHEDULES

SCHEDULE 3(a)(ii)

1. APPROVAL REQUIRED FROM SELLER'S BOARD OF MANAGERS.

2. APPROVAL REQUIRED FROM SOUTHERN UNION PANHANDLE CORP. FOR AMENDMENT TO MAINTENANCE AGREEMENT AS CONTEMPLATED BY SECTION 4(H).

3. NOTICE REQUIRED TO PRUDENTIAL INSURANCE COMPANY OF AMERICA OF TRANSFER OF SELLER'S MEMBERSHIP INTEREST.

SCHEDULES

SCHEDULE 3(a)(iii)

NONE.

SCHEDULES

SCHEDULE 3(b)(ii)

1. APPROVAL REQUIRED FROM TEPPCO'S BOARD OF DIRECTORS.

2. APPROVAL REQUIRED FROM MAP'S BOARD OF MANAGERS.

SCHEDULES

SCHEDULE 3(b)(iii)

1. NOTICE REQUIRED TO PRUDENTIAL INSURANCE COMPANY OF AMERICA OF TRANSFER OF SELLER'S MEMBERSHIP INTEREST TO BUYERS.

SCHEDULES

SCHEDULE 5(c)

CENTENNIAL PIPELINE LLC
SAFECO INSURANCE COMPANY OF AMERICA
MASTER BOND LISTING

Bond No.	Origin	Expiration	Bond Type	Obligee
6070758	12/31/01	12/31/03	Permit	William County Highway Department Marion, Illinois
6095613	12/15/00	12/15/03	Permit	Orange County, Texas - Orange County Courthouse Orange, Texas
6095688	04/05/01	04/05/03	Permit	Illinois Department of Transportation Springfield, Illinois
6112681	06/29/01	06/29/03	Permit	Commonwealth of Kentucky - Transportation Cabinet District Office No. One Paducah, Kentucky
6112698	08/13/01	08/13/03	Court (Cost)	U.S. District Court of Newton County, Texas Beaumont, Texas
6127314	08/13/01	08/13/03	Court (Condemn-nation)	U.S. District Court of Newton County, Texas Beaumont, Texas
6169094	10/21/02	10/21/03	Tax	State of Texas - Comptroller of Public Accounts Austin, Texas
6169100	10/21/02	10/21/03	Tax	State of Texas - Comptroller of Public Accounts Austin, Texas
6190340	11/01/02	11/01/03	Tax	Illinois Department of Revenue Springfield, Illinois

Bond No.	Amount	Annual Premium	Purpose	State
6070758	$ 150,000.00	$ 262.50	Oversize/Overweight Loads on County Roads/Highways	IL
6095613	$ 140,000.00	$ 560.00	Installation of Pipeline under Orange County Roads	TX
6095688	$ 15,000.00	$ 45.00	26" Natural Gas Pipeline under Interstate Route Crossings in District #7	IL
6112681	$ 10,000.00	$ 45.00	Excavation/Encroachment within Kentucky State Highway Right-Of-Way	KY
6112698	$ 670.00	$ 60.00	Possession of condemned property of H. C. Freese, and the unknown heirs, successors and assigns of H. C. Freese	TX
6127314	$ 670.00	$ 60.00	Possession of condemned property of H. C. Freese, and the unknown heirs, successors and assigns of H. C. Freese	TX
6169094	$ 600,000.00	$2,400.00	Financial Responsibility for Tax as Gasoline Distributor	TX
6169100	$ 600,000.00	$2,400.00	Financial Responsibility for Tax as Gasoline Distributor	TX
6190340	$2,200,000.00	$3,850.00	Financial Responsibility for Tax as Gasoline Distributor	IL
	$3,716,340.00	$9,682.50		

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EXHIBIT 12.1

Statement of Computation of Ratio of Earnings to Fixed Charges

	YEARS ENDED DECEMBER 31,				
	1998	1999	2000	2001	2002
			(in thousands)		
EARNINGS					
Income From Continuing Operations *	53,885	72,856	65,951	92,533	105,882
Fixed Charges	30,915	34,305	55,621	72,217	77,726
Distributed Income of Equity Investment	--	--	--	40,800	30,938
Capitalized Interest	(795)	(2,133)	(4,559)	(4,000)	(4,345)
Total Earnings	84,005	105,028	117,013	201,550	210,201
FIXED CHARGES					
Interest Expense	29,784	31,563	48,982	66,057	70,537
Capitalized Interest	795	2,133	4,559	4,000	4,345
Rental Interest Factor	336	609	2,080	2,160	2,844
Total Fixed Charges	30,915	34,305	55,621	72,217	77,726
RATIO: EARNINGS / FIXED CHARGES	2.72	3.06	2.10	2.79	2.70

* Excludes minority interest, extraordinary loss and undistributed equity earnings.

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

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

We consent to the incorporation by reference in the registration statement on Form S-3 (No. 333-100494), the registration statement on Form S-3 (No. 33-81976), and the registration statement on Form S-8 (No. 333-82892) of TEPPCO Partners, L.P. of our report dated January 22, 2003, except as to Note 22 which is as of February 10, 2003, related to the consolidated financial statements of TEPPCO Partners, L.P., included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2002 filed on March 21, 2003.

Our report on the consolidated financial statements refers to a change in the method of accounting for derivative financial instruments and hedging activities in 2001 and the adoption of Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets in 2002.

KPMG LLC

Houston, Texas
March 21, 2003

EXHIBIT 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned directors and/or officers of TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC (the "Company"), a Delaware limited liability company, acting in its capacity as general partner of TEPPCO Partners, L.P., and TE Products Pipeline Company, Limited Partnership, each a Delaware limited partnership (collectively, "Partnership"), does hereby appoint CHARLES H. LEONARD, BARRY R. PEARL, and JAMES C. RUTH, and each of them, his true and lawful attorney and agent to do any and all acts and things, and execute any and all instruments which, with the advise and consent of Counsel, said attorney and agent may deem necessary or advisable to enable the Company and Partnership to comply with the Securities Act of 1934, as amended, and any rules, regulations, and requirements thereof, to sign his name as a director and/or officer of the Company to the Form 10-K Report for TEPPCO Partners, L.P. and for TE Products Pipeline Company, Limited Partnership, each for the year ended December 31, 2002, and to any instrument or document filed as a part of, or in accordance with, each said Form 10-K or amendment thereto; and the undersigned do hereby ratify and confirm all that said attorney and agent shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned have subscribed these presents this 21th day of March, 2003.

/s/ MARK A. BORER
- ------------------------------
Mark A. Borer
Director

/s/ MICHAEL J. BRADLEY

Michael J. Bradley
Director

/s/ MILTON CARROLL
- ------------------------------
Milton Carroll
Director

/s/ DERRILL CODY

Derrill Cody
Director

/s/ JOHN P. DESBARRES
- ------------------------------
John P. DesBarres
Director

/s/ JIM W. MOGG

Jim W. Mogg
Chairman

/s/ BARRY R. PEARL
- ------------------------------
Barry R. Pearl
Director

/s/ WILLIAM W. SLAUGHTER

William W. Slaughter
Director

/s/ R.A. WALKER
- ------------------------------
R.A. Walker
Director

/s/ CHARLES H. LEONARD

Charles H. Leonard
Senior Vice President and
Chief Financial Officer

EXHIBIT 99.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, being the Chief Executive Officer of Texas Eastern Products Pipeline Company, LLC, the sole general partner of TEPPCO Partners, L.P. (the "Company"), hereby certifies that, to his knowledge, the Company's Annual Report on Form 10-K for the annual period ended December 31, 2002, filed with the United States Securities and Exchange Commission pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 21, 2003
Date

/s/ BARRY R. PEARL
- ---------------------------
Barry R. Pearl
President and Chief Executive Officer

EXHIBIT 99.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, being the Chief Financial Officer of Texas Eastern Products Pipeline Company, LLC, the sole general partner of TEPPCO Partners, L.P. (the "Company"), hereby certifies that, to his knowledge, the Company's Annual Report on Form 10-K for the annual period ended December 31, 2002, filed with the United States Securities and Exchange Commission pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 21, 2003
Date

/s/ CHARLES H. LEONARD
- ---------------------------
Charles H. Leonard
Senior Vice President and Chief Financial Officer