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

# FORM 10-Q

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

For the quarterly period ended June 30, 2009

**OR**

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

For the transition period from ___ to ___.

Commission file number: 1-10403

# TEPPCO Partners, L.P.

(Exact name of Registrant as Specified in Its Charter)

| **Delaware** | **76-0291058** |
|---|---|
| (State or Other Jurisdiction of Incorporation or Organization) | (I.R.S. Employer Identification No.) |

**1100 Louisiana Street, Suite 1600**
**Houston, Texas 77002**
(Address of Principal Executive Offices, Including Zip Code)

**(713) 381-3636**
(Registrant's Telephone Number, Including Area Code)

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

Yes ☑ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

| | |
|---|---|
| Large accelerated filer ☑ | Accelerated filer o |
| Non-accelerated filer o (Do not check if a smaller reporting company) | Smaller reporting company o |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No ☑

There were 104,943,004 limited partner units, including 260,400 restricted units, of TEPPCO Partners, L.P. outstanding at August 1, 2009. These limited partner units trade on the New York Stock Exchange under the ticker symbol "TPP."

**TEPPCO PARTNERS, L.P.**
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## PART I. FINANCIAL INFORMATION.

**Item 1.** ***Financial Statements.***

**TEPPCO PARTNERS, L.P.**
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**
**(Dollars in millions)**

| **ASSETS** | **June 30, 2009** | **December 31, 2008** |
|---|---|---|
| **Current assets:** | | |
| Cash and cash equivalents | $ -- | $ -- |
| Accounts receivable, trade (net of allowance for doubtful accounts of $2.6 at June 30, 2009 and $2.6 at December 31, 2008) | 984.8 | 790.4 |
| Accounts receivable, related parties | 10.7 | 15.8 |
| Inventories | 95.6 | 52.9 |
| Other | 38.7 | 48.5 |
| Total current assets | 1,129.8 | 907.6 |
| **Property, plant and equipment, at cost** (net of accumulated depreciation of $729.9 at June 30, 2009 and $678.8 at December 31, 2008) | 2,591.6 | 2,439.9 |
| **Investments in unconsolidated affiliates** | 1,198.9 | 1,255.9 |
| **Intangible assets** (net of accumulated amortization of $172.3 at June 30, 2009 and $158.3 at December 31, 2008) | 195.1 | 207.7 |
| **Goodwill** | 106.6 | 106.6 |
| **Other assets** | 132.9 | 132.1 |
| Total assets | $ 5,354.9 | $ 5,049.8 |
| | | |
| **LIABILITIES AND PARTNERS' CAPITAL** | | |
| **Current liabilities:** | | |
| Accounts payable and accrued liabilities | $ 967.9 | $ 792.5 |
| Accounts payable, related parties | 40.9 | 17.2 |
| Accrued interest | 36.0 | 36.4 |
| Other accrued taxes | 21.0 | 23.0 |
| Other | 21.1 | 30.9 |
| Total current liabilities | 1,086.9 | 900.0 |
| **Long-term debt:** | | |
| Senior notes | 1,710.9 | 1,713.3 |
| Junior subordinated notes | 299.6 | 299.6 |
| Other long-term debt | 723.3 | 516.7 |
| Total long-term debt | 2,733.8 | 2,529.6 |
| **Other liabilities and deferred credits** | 27.8 | 28.7 |
| **Commitments and contingencies** | | |
| **Partners' capital:** | | |
| Limited partners' interests: | | |
| Limited partner units (104,682,604 units outstanding at June 30, 2009 and 104,547,561 units outstanding at December 31, 2008) | 1,673.8 | 1,746.2 |
| Restricted limited partner units (260,400 units outstanding at June 30, 2009 and 157,300 units outstanding at December 31, 2008) | 1.9 | 1.4 |
| General partner's interest | (126.3) | (110.3) |
| Accumulated other comprehensive loss | (43.0) | (45.8) |
| Total partners' capital | 1,506.4 | 1,591.5 |
| Total liabilities and partners' capital | $ 5,354.9 | $ 5,049.8 |

See Notes to Unaudited Condensed Consolidated Financial Statements.

**TEPPCO PARTNERS, L.P.**
**UNAUDITED CONDENSED STATEMENTS OF CONSOLIDATED INCOME**
**(Dollars in millions, except per unit amounts)**

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| **Operating revenues:** | | | | |
| Sales of petroleum products | $ 1,745.4 | $ 4,006.5 | $ 3,023.3 | $ 6,651.1 |
| Transportation – Refined products | 41.1 | 44.1 | 77.0 | 81.4 |
| Transportation – LPGs | 17.5 | 16.1 | 55.8 | 52.3 |
| Transportation – Crude oil | 15.2 | 17.4 | 37.1 | 32.7 |
| Transportation – NGLs | 13.6 | 12.7 | 26.1 | 25.7 |
| Transportation – Marine | 43.7 | 48.1 | 80.6 | 73.6 |
| Gathering – Natural gas | 14.4 | 14.8 | 28.0 | 28.2 |
| Other | 22.3 | 20.8 | 42.9 | 44.0 |
| Total operating revenues | 1,913.2 | 4,180.5 | 3,370.8 | 6,989.0 |
| **Costs and expenses:** | | | | |
| Purchases of petroleum products | 1,703.3 | 3,975.7 | 2,938.8 | 6,582.3 |
| Operating expense | 76.4 | 66.5 | 143.2 | 120.3 |
| Operating fuel and power | 17.9 | 29.1 | 37.6 | 50.5 |
| General and administrative | 15.8 | 11.0 | 25.8 | 19.8 |
| Depreciation and amortization | 36.8 | 31.9 | 69.8 | 60.2 |
| Taxes – other than income taxes | 7.1 | 7.0 | 14.0 | 13.1 |
| Total costs and expenses | 1,857.3 | 4,121.2 | 3,229.2 | 6,846.2 |
| Operating income | 55.9 | 59.3 | 141.6 | 142.8 |
| **Other income (expense):** | | | | |
| Interest expense | (32.3) | (33.0) | (64.4) | (71.6) |
| Equity in income (loss) of unconsolidated affiliates | (12.2) | 21.3 | 12.9 | 41.0 |
| Other, net | 0.7 | 1.1 | 1.0 | 1.4 |
| **Income before provision for income taxes** | 12.1 | 48.7 | 91.1 | 113.6 |
| Provision for income taxes | (0.9) | (1.0) | (1.7) | (1.8) |
| **Net income** | $ 11.2 | $ 47.7 | $ 89.4 | $ 111.8 |
| | | | | |
| **Net income allocated to:** | | | | |
| Limited partners | $ 9.3 | $ 39.7 | $ 74.3 | $ 93.1 |
| General partner | $ 1.9 | $ 8.0 | $ 15.1 | $ 18.7 |
| | | | | |
| **Basic and diluted earnings per unit** | $ 0.09 | $ 0.42 | $ 0.71 | $ 0.99 |

See Notes to Unaudited Condensed Consolidated Financial Statements.

**TEPPCO PARTNERS, L.P.**
**UNAUDITED CONDENSED STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME**
**(Dollars in millions)**

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| **Net income** | $ 11.2 | $ 47.7 | $ 89.4 | $ 111.8 |
| **Other comprehensive income (loss):** | | | | |
| Cash flow hedges: (see Note 4) | | | | |
| Change in fair values of interest rate derivative instruments | -- | -- | -- | (23.2) |
| Reclassification adjustment for loss included in net income related to interest rate derivative instruments | 1.4 | -- | 2.8 | (0.1) |
| Changes in fair values of commodity derivative instruments | -- | (20.6) | -- | (27.1) |
| Reclassification adjustment for loss included in net income related to commodity derivative instruments | -- | 9.6 | -- | 19.2 |
| Total cash flow hedges | 1.4 | (11.0) | 2.8 | (31.2) |
| Total other comprehensive income (loss) | 1.4 | (11.0) | 2.8 | (31.2) |
| **Comprehensive income** | $ 12.6 | $ 36.7 | $ 92.2 | $ 80.6 |

See Notes to Unaudited Condensed Consolidated Financial Statements.

**TEPPCO PARTNERS, L.P.**
**UNAUDITED CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS**
**(Dollars in millions)**

| | For the Six Months Ended June 30, | |
|---|---|---|
| | **2009** | **2008** |
| **Operating activities:** | | |
| Net income | $ 89.4 | $ 111.8 |
| *Adjustments to reconcile net income to cash provided by operating activities:* | | |
| Depreciation and amortization | 69.8 | 60.2 |
| Non-cash impairment charge | 2.3 | -- |
| Amortization of deferred compensation | 0.1 | 0.7 |
| Amortization in interest expense | 1.4 | 2.2 |
| Changes in fair market value of derivative instruments | (0.4) | (0.3) |
| Equity in income of unconsolidated affiliates | (12.9) | (41.0) |
| Distributions received from unconsolidated affiliates | 89.2 | 79.3 |
| Loss on early extinguishment of debt | -- | 8.7 |
| Net effect of changes in operating accounts (see Note 16) | (31.4) | (57.5) |
| Net cash provided by operating activities | 207.5 | 164.1 |
| **Investing activities:** | | |
| Cash used for business combinations | (50.0) | (345.6) |
| Investment in Jonah Gas Gathering Company | (19.1) | (64.5) |
| Investment in Texas Offshore Port System (see Note 7) | 1.7 | -- |
| Acquisition of intangible assets | (1.4) | (0.3) |
| Cash paid for linefill classified as other assets | (1.5) | (14.5) |
| Capital expenditures | (164.3) | (139.2) |
| Net cash used in investing activities | (234.6) | (564.1) |
| **Financing activities:** | | |
| Borrowings under debt agreements | 759.3 | 3,344.4 |
| Repayments of debt | (552.6) | (2,732.9) |
| Net proceeds from issuance of limited partner units | 3.3 | 5.6 |
| Debt issuance costs | -- | (9.3) |
| Settlement of interest rate derivative instruments - treasury locks | -- | (52.1) |
| Acquisition of treasury units | (0.1) | -- |
| Distributions paid to partners | (182.8) | (155.7) |
| Net cash provided by financing activities | 27.1 | 400.0 |
| **Net change in cash and cash equivalents** | -- | -- |
| **Cash and cash equivalents, January 1** | -- | -- |
| **Cash and cash equivalents, June 30** | $ -- | $ -- |

See Notes to Unaudited Condensed Consolidated Financial Statements.

**TEPPCO PARTNERS, L.P.**
**UNAUDITED CONDENSED STATEMENTS OF**
**CONSOLIDATED PARTNERS' CAPITAL**
**(Dollars in millions)**

| | Limited Partners | General Partner | Accumulated Other Comprehensive Income (Loss) | Total |
|---|---|---|---|---|
| **Balance, December 31, 2008** | $ 1,747.6 | $ (110.3) | $ (45.8) | $ 1,591.5 |
| Net proceeds from issuance of limited partner units | 3.3 | -- | -- | 3.3 |
| Acquisition of treasury units | (0.1) | -- | -- | (0.1) |
| Net income | 74.3 | 15.1 | -- | 89.4 |
| Cash distributions paid to partners | (151.8) | (31.0) | -- | (182.8) |
| Non-cash contributions | 0.3 | -- | -- | 0.3 |
| Amortization of equity awards | 2.1 | (0.1) | -- | 2.0 |
| Reclassification adjustment for loss included in net income related to interest rate derivative instruments | -- | -- | 2.8 | 2.8 |
| **Balance, June 30, 2009** | $ 1,675.7 | $ (126.3) | $ (43.0) | $ 1,506.4 |

| | Limited Partners | General Partner | Accumulated Other Comprehensive Income (Loss) | Total |
|---|---|---|---|---|
| **Balance, December 31, 2007** | $ 1,395.2 | $ (88.0) | $ (42.6) | $ 1,264.6 |
| Net proceeds from issuance of limited partner units | 5.6 | -- | -- | 5.6 |
| Issuance of limited partner units in connection with Cenac acquisition on February 1, 2008 | 186.6 | -- | -- | 186.6 |
| Net income | 93.1 | 18.7 | -- | 111.8 |
| Cash distributions paid to partners | (129.8) | (25.9) | -- | (155.7) |
| Non-cash contributions | 0.3 | -- | -- | 0.3 |
| Amortization of equity awards | 0.5 | -- | -- | 0.5 |
| Changes in fair values of commodity derivative instruments | -- | -- | (27.1) | (27.1) |
| Reclassification adjustment for loss included in net income related to commodity derivative instruments | -- | -- | 19.2 | 19.2 |
| Changes in fair values of interest rate derivative instruments | -- | -- | (23.2) | (23.2) |
| **Balance, June 30, 2008** | $ 1,551.5 | $ (95.2) | $ (73.7) | $ 1,382.6 |

See Notes to Unaudited Condensed Consolidated Financial Statements.

*Except per unit amounts, or as noted within the context of each footnote disclosure, the dollar amounts presented in the tabular data within these footnote disclosures are stated in millions.*

## Note 1. Partnership Organization and Basis of Presentation

### *Partnership Organization*

TEPPCO Partners, L.P. is a publicly traded, diversified energy logistics partnership with operations that span much of the continental United States. Our limited partner units ("Units") are listed on the New York Stock Exchange ("NYSE") under the ticker symbol "TPP". We were formed in March 1990 as a Delaware limited partnership. As used in this Report, "we," "us," "our," the "Partnership" and "TEPPCO" mean TEPPCO Partners, L.P. and, where the context requires, include our subsidiaries.

We operate through TE Products Pipeline Company, LLC ("TE Products"), TCTM, L.P. ("TCTM"), TEPPCO Midstream Companies, LLC ("TEPPCO Midstream"), and beginning February 1, 2008, through TEPPCO Marine Services, LLC ("TEPPCO Marine Services"). Texas Eastern Products Pipeline Company, LLC (the "General Partner"), a Delaware limited liability company, serves as our general partner and owns a 2% general partner interest in us. We hold a 99.999% limited partner interest in TCTM, 99.999% membership interests in each of TE Products and TEPPCO Midstream and a 100% membership interest in TEPPCO Marine Services. TEPPCO GP, Inc., our subsidiary, holds a 0.001% general partner interest in TCTM and a 0.001% managing member interest in each of TE Products and TEPPCO Midstream.

Dan L. Duncan and certain of his affiliates, including Enterprise GP Holdings L.P. ("Enterprise GP Holdings") and Dan Duncan LLC, a privately held company controlled by him, control us, our General Partner and Enterprise Products Partners L.P. ("Enterprise Products Partners") and its affiliates, including Duncan Energy Partners L.P. ("Duncan Energy Partners"). Enterprise GP Holdings owns and controls the 2% general partner interest in us and has the right (through its 100% ownership of our General Partner) to receive the incentive distribution rights associated with the general partner interest. Enterprise GP Holdings, DFI GP Holdings L.P. ("DFIGP") and other entities controlled by Mr. Duncan own 17,073,315 of our Units, which include 2,500,000 of our Units owned by DFIGP. Under an amended and restated administrative services agreement ("ASA"), EPCO, Inc. ("EPCO"), a privately held company also controlled by Mr. Duncan, performs management, administrative and operating functions required for us, and we reimburse EPCO for all direct and indirect expenses that have been incurred in managing us.

On June 28, 2009, we and our General Partner entered into definitive merger agreements with Enterprise Products Partners, its general partner, Enterprise Products GP, LLC ("EPGP"), and two of its subsidiaries. See Note 13 for information regarding the proposed merger with Enterprise Products Partners.

We refer to refined products, liquefied petroleum gases ("LPGs"), petrochemicals, crude oil, lubrication oils and specialty chemicals, natural gas liquids ("NGLs"), natural gas, asphalt, heavy fuel oil, other heated oil products and marine bunker fuel, collectively as "petroleum products" or "products."

### *Basis of Presentation*

The accompanying unaudited condensed consolidated financial statements reflect all adjustments that are, in the opinion of our management, of a normal and recurring nature and necessary for a fair statement of our financial position as of June 30, 2009, and the results of our operations and cash flows for the periods presented. The results of operations for the three months and six months ended June 30, 2009 are not necessarily indicative of results of our operations for the full year 2009. The unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). Certain information and note disclosures normally

included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to those rules and regulations. You should read these interim financial statements in conjunction with our consolidated financial statements and notes thereto presented in the TEPPCO Partners, L.P. Annual Report on Form 10-K for the year ended December 31, 2008.

## Note 2. General Accounting Matters

### *Estimates*

Preparing our financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts presented in the financial statements (e.g. assets, liabilities, revenues and expenses) and disclosures about contingent assets and liabilities. Our actual results could differ from these estimates. On an ongoing basis, management reviews its estimates based on currently available information. Changes in facts and circumstances may result in revised estimates.

### *Fair Value Information*

Cash and cash equivalents, accounts receivable, accounts payable and accrued expenses and other current liabilities are carried at amounts which reasonably approximate their fair values due to their short-term nature. The estimated fair values of our fixed rate debt are based on quoted market prices for such debt or debt of similar terms and maturities. The carrying amount of our variable rate debt obligation reasonably approximates its fair value due to its variable interest rate. See Note 4 for fair value information associated with our derivative instruments.

The following table presents the estimated fair values of our financial instruments at the dates indicated:

| | June 30, 2009 | | December 31, 2008 | |
|---|---|---|---|---|
| **Financial Instruments** | **Carrying Value** | **Fair Value** | **Carrying Value** | **Fair Value** |
| Financial assets: | | | | |
| Cash and cash equivalents | $ -- | $ -- | $ -- | $ -- |
| Accounts receivable, trade | 984.8 | 984.8 | 790.4 | 790.4 |
| Financial liabilities: | | | | |
| Accounts payable and accrued liabilities | 967.9 | 967.9 | 792.5 | 792.5 |
| Other current liabilities | 21.1 | 21.1 | 30.9 | 30.9 |
| Fixed-rate debt (principal amount) | 2,000.0 | 1,967.0 | 2,000.0 | 1,553.2 |
| Variable-rate debt | 723.3 | 723.3 | 516.7 | 516.7 |

### *Recent Accounting Developments*

The following information summarizes recently issued accounting guidance since those reported in our Annual Report on Form 10-K for the year ended December 31, 2008 that will or may affect our future financial statements.

In April 2009, the Financial Accounting Standards Board ("FASB") issued new guidance in the form of FASB Staff Positions ("FSPs") in an effort to clarify certain fair value accounting rules. FSP Financial Accounting Standard ("FAS") 157-4 (Accounting Standards Codification ("ASC") 820), *Determining Fair Value When the Volumes and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*, establishes a process to determine whether a market is not active and a transaction is not distressed. FSP FAS 157-4 states that companies should look at several factors and use judgment to ascertain if a formerly active market has become inactive. When estimating fair value, FSP FAS 157-4 requires companies to place more weight on observable transactions determined to be orderly and less weight on transactions for which there is

insufficient information to determine whether the transaction is orderly (entities do not have to incur undue cost and effort in making this determination). The FASB also issued FSP FAS 107-1 and APB 28-1 (ASC 825), *Interim Disclosures About Fair Value of Financial Instruments*. This FSP requires that companies provide qualitative and quantitative information about fair value estimates for all financial instruments not measured on the balance sheet at fair value in each interim report. Previously, this was only an annual requirement. We adopted these FSPs effective June 30, 2009. Our adoption of this new guidance did not have a material impact on our financial statements or related disclosures.

In May 2009, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 165 (ASC 855), *Subsequent Events*, which establishes general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS 165 requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. We adopted SFAS 165 on June 30, 2009. Our adoption of this guidance did not have any impact on our financial position, results of operations or cash flows.

In June 2009, the FASB issued SFAS No. 167 (ASC 810), *Amendments to FASB Interpretation No. 46(R)*, which amended consolidation guidance for variable interest entities ("VIEs") under FASB Interpretation ("FIN") No. 46(R) ("FIN 46(R)") (ASC 810-10) *Consolidation of Variable Interest Entities*. VIEs are entities whose equity investors do not have sufficient equity capital at risk such that the entity cannot finance its own activities. When a business has a controlling financial interest in a VIE, the assets, liabilities and profit or loss of that entity must be included in consolidation. A business enterprise must consolidate a VIE when that enterprise has a variable interest that will cover most of the entity's expected losses and/or receive most of the entity's anticipated residual return. SFAS 167, among other things, eliminates the scope exception for qualifying special-purpose entities, amends certain guidance for determining whether an entity is a VIE, expands the list of events that trigger reconsideration of whether an entity is a VIE, requires a qualitative rather than a quantitative analysis to determine the primary beneficiary of a VIE, requires continuous assessments of whether a company is the primary beneficiary of a VIE and requires enhanced disclosures about a company's involvement with a VIE. SFAS 167 is effective for us on January 1, 2010. At June 30, 2009, we did not have any VIEs; therefore, our adoption of this new guidance is not expected to have a material impact on our consolidated financial statements.

In June 2009, the FASB issued SFAS No. 168 (ASC 105), *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162*, which establishes the ASC as the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. The ASC is a reorganization of current GAAP into a topical format that eliminates the current GAAP hierarchy and establishes instead two levels of guidance — authoritative and nonauthoritative. All guidance contained in the ASC carries an equal level of authority. Rules and interpretive releases of the SEC under federal securities laws are also sources of authoritative GAAP for SEC registrants. SFAS 168 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP. SFAS 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. We will adopt SFAS 168 on September 30, 2009. Our adoption of this new guidance is not expected to have any impact on our financial position, results of operations or cash flows. References to specific GAAP in our consolidated financial statements after our adoption of SFAS 168 will refer exclusively to the ASC. We have elected to provide references to the ASC parenthetically in this Quarterly Report.

***Subsequent Events***

We have evaluated subsequent events through August 6, 2009, which is the date our Unaudited Condensed Consolidated Financial Statements and Notes are being issued.

**Note 3. Accounting for Equity Awards**

We account for equity awards in accordance with SFAS No. 123(R) (ASC 718 and 505), *Share-Based Payment* ("SFAS 123(R)"). Such awards were not material to our consolidated financial position, results of operations or cash flows for all periods presented. The amount of equity-based compensation allocable to us was $1.2 million and $0.8 million for the three months ended June 30, 2009 and 2008, respectively. For the six months ended June 30, 2009 and 2008, the amount of equity-based compensation allocable to us was $2.2 million and $1.2 million, respectively.

Certain key employees of EPCO participate in long-term incentive compensation plans managed by EPCO. The compensation expense we record related to equity awards is based on an allocation of the total cost of such incentive plans to EPCO. We record our pro rata share of such costs based on the percentage of time each employee spends on our business activities.

***1999 Phantom Unit Retention Plan***

The Texas Eastern Products Pipeline Company, LLC 1999 Phantom Unit Retention Plan ("1999 Plan") provides for the issuance of phantom unit awards as incentives to key employees. A total of 2,800 phantom units were outstanding under the 1999 Plan at June 30, 2009, which cliff vest in January 2010. During the first quarter of 2009, 2,800 additional phantom units which were outstanding at December 31, 2008 under the 1999 Plan were forfeited. Additionally, in April 2009, 13,000 phantom units vested and $0.3 million was paid out to a participant in April 2009. At June 30, 2009 and December 31, 2008, we had accrued liability balances of $0.1 million and $0.4 million, respectively, for compensation related to the 1999 Plan.

***2000 Long Term Incentive Plan***

The Texas Eastern Products Pipeline Company, LLC 2000 Long Term Incentive Plan ("2000 LTIP") provides key employees incentives to achieve improvements in our financial performance. At December 31, 2008, we had an accrued liability balance of $0.2 million for compensation related to the 2000 LTIP. On December 31, 2008, 11,300 phantom units vested and $0.2 million was paid out to participants in the first quarter of 2009. There were no remaining phantom units outstanding under the 2000 LTIP at June 30, 2009.

***2005 Phantom Unit Plan***

The Texas Eastern Products Pipeline Company, LLC 2005 Phantom Unit Plan ("2005 Phantom Unit Plan") provides key employees incentives to achieve improvements in our financial performance. At December 31, 2008, we had an accrued liability balance of $0.6 million for compensation related to the 2005 Phantom Unit Plan. On December 31, 2008, a total of 36,600 phantom units vested and $0.6 million was paid out to participants in the first quarter of 2009. There were no remaining phantom units outstanding under the 2005 Phantom Unit Plan at June 30, 2009.

***EPCO 2006 Long-Term Incentive Plan***

The EPCO, Inc. 2006 TPP Long-Term Incentive Plan ("2006 LTIP") provides for awards of our Units and other rights to our non-employee directors and to certain employees of EPCO and its affiliates providing services to us. Awards granted under the 2006 LTIP may be in the form of restricted units, phantom units, unit options, unit appreciation rights ("UARs") and distribution equivalent rights. Subject to adjustment as provided in the 2006 LTIP, awards with respect to up to an aggregate of 5,000,000 Units may be granted under the 2006 LTIP. After giving effect to the issuance or forfeiture of restricted unit awards and option awards through June 30, 2009, a total of 4,161,046 additional Units could be issued under the 2006 LTIP in the future. The merger agreement governing our proposed merger with a

subsidiary of Enterprise Products Partners contains restrictions on the issuance of additional Units under the 2006 LTIP. See Note 13 for information regarding the proposed merger with Enterprise Products Partners.

*Unit option awards*. The following table presents unit option activity under the 2006 LTIP for the periods indicated:

| | Number of Units | Weighted-Average Strike Price (dollars/Unit) | Weighted-Average Remaining Contractual Term (in years) |
|---|---|---|---|
| **Outstanding at December 31, 2008** | 355,000 | $ 40.00 | |
| Granted (1) | 329,000 | $ 24.84 | |
| Forfeited | (109,500) | $ 34.38 | |
| **Outstanding at June 30, 2009** (2) | 574,500 | $ 32.39 | 4.78 |

(1) The total grant date fair value of these unit option awards granted in 2009 was $1.3 million based upon the following assumptions: (i) weighted-average expected life of options of 4.8 years; (ii) weighted-average risk-free interest rate of 2.14%; (iii) weighted-average expected distribution yield on our Units of 11.31%; (iv) estimated forfeiture rate of 17.0%; and (v) weighted-average expected unit price volatility on our Units of 59.32%.

(2) No unit options were exercisable as of June 30, 2009.

At June 30, 2009, the estimated total unrecognized compensation cost related to nonvested unit option awards granted under the 2006 LTIP was $1.5 million. We expect to recognize our share of this cost over a weighted-average period of 3.46 years in accordance with the ASA (see Note 13).

*Restricted unit awards.* The following table presents restricted unit activity under the 2006 LTIP for the periods indicated:

| | Number of Units | Weighted-Average Grant Date Fair Value per Unit (1) |
|---|---|---|
| **Restricted units at December 31, 2008** | 157,300 | |
| Granted (2) | 140,450 | $ 23.93 |
| Vested | (5,000) | $ 34.63 |
| Forfeited | (32,350) | $ 32.29 |
| **Restricted units at June 30, 2009** | 260,400 | |

(1) Determined by dividing the aggregate grant date fair value of awards by the number of awards issued. The weighted-average grant date fair value per Unit for forfeited and vested awards is determined before an allowance for forfeitures.

(2) Aggregate grant date fair value of restricted unit awards issued during 2009 was $3.4 million based on grant date market prices ranging from $28.81 to $29.83 per Unit and an estimated forfeiture rate of 17.0%.

The total fair value of our restricted unit awards that vested during the three months and six months ended June 30, 2009 was $0.1 million. At June 30, 2009, the estimated total unrecognized compensation cost related to restricted unit awards under the 2006 LTIP was $6.2 million. We expect to recognize our share of this cost over a weighted-average period of 3.17 years in accordance with the ASA.

*Phantom unit awards*. At June 30, 2009, a total of 1,647 phantom units were outstanding, which were awarded in 2007 under the 2006 LTIP to three of the then non-executive members of the board of directors. Each participant is entitled to cash distributions equal to the product of the number of phantom units granted to the participant and the per Unit cash distribution that we paid to our unitholders. Phantom unit awards to non-executive directors are accounted for in a manner similar to SFAS 123(R) liability awards.

*UAR awards.* At June 30, 2009, a total of 392,788 UARs were outstanding, which were awarded in 2007 under the 2006 LTIP to non-executive members of the board of directors and to certain employees providing services directly to us.

- *Non-Executive Members of the Board of Directors*. At June 30, 2009, a total of 95,654 UARs, awarded to non-executive members of the board of directors under the 2006 LTIP, were outstanding at a weighted-average exercise price of $41.82 per Unit (66,225 UARs issued in 2007 at an exercise price of $45.30 per Unit to the then three non-executive members of the board of directors and 29,429 UARs issued in 2008 at an exercise price of $33.98 per Unit to a non-executive member of the board of directors in connection with his election to the board). UARs awarded to non-executive directors are accounted for in a manner similar to SFAS 123(R) liability awards. Mr. Hutchison, who was a non-executive member of the board of directors at the time of issuance of these UARs (and the phantom unit awards discussed above), became interim executive chairman in March 2009.

- *Employees*. At June 30, 2009, a total of 297,134 UARs, awarded under the 2006 LTIP to certain employees providing services directly to us, were outstanding at an exercise price of $45.35 per Unit. UARs awarded to employees are accounted for as liability awards under SFAS 123(R) since the current intent is to settle the awards in cash.

***Employee Partnerships***

In 2008, EPCO formed TEPPCO Unit, L.P. ("TEPPCO Unit") and TEPPCO Unit II, L.P. ("TEPPCO Unit II") (collectively, "Employee Partnerships") to serve as long-term incentive arrangements for key employees of EPCO by providing them with a "profits interest" in the Employee Partnerships. At June 30, 2009, the estimated unrecognized compensation cost related to TEPPCO Unit and TEPPCO Unit II was $1.4 million and $1.2 million, respectively. We expect to recognize our share of these costs over a weighted-average period of 4.27 years in accordance with the ASA.

## Note 4. Derivative Instruments and Hedging Activities

In the course of our normal business operations, we are exposed to certain risks, including changes in interest rates and commodity prices. In order to manage risks associated with certain identifiable and anticipated transactions, we use derivative instruments. Derivatives are financial instruments whose fair value is determined by changes in a specified benchmark such as interest rates or commodity prices. Typical derivative instruments include futures, forward contracts, swaps and other instruments with similar characteristics. Substantially all of our derivatives are used for non-trading activities.

SFAS No. 133 (ASC 815), *Accounting for Derivative Instruments and Hedging Activities*, requires companies to recognize derivative instruments at fair value as either assets or liabilities on the balance sheet. While the standard requires that all derivatives be reported at fair value on the balance sheet, changes in fair value of the derivative instruments will be reported in different ways depending on the nature and effectiveness of the hedging activities to which they are related. After meeting specified conditions, a qualified derivative may be specifically designated as a total or partial hedge of:

- Changes in the fair value of a recognized asset or liability, or an unrecognized firm commitment – In a fair value hedge, all gains and losses (of both the derivative instrument and the hedged item) are recognized in income during the period of change.

- Variable cash flows of a forecasted transaction – In a cash flow hedge, the effective portion of the hedge is reported in other comprehensive income and is reclassified into earnings when the forecasted transaction affects earnings.

An effective hedge is one in which the change in fair value of a derivative instrument can be expected to offset 80% to 125% of changes in the fair value of a hedged item at inception and throughout the life of the hedging relationship. The effective portion of a hedge is the amount by which the derivative instrument exactly offsets the change in fair value of the hedged item during the reporting period. Conversely, ineffectiveness represents the change in the fair value of the derivative instrument that does not exactly offset the change in the fair value of the hedged item. Any ineffectiveness associated with a hedge is recognized in earnings immediately. Ineffectiveness can be caused by, among other things, changes in the timing of forecasted transactions or a mismatch of terms between the derivative instrument and the hedged item.

On January 1, 2009, we adopted the disclosure requirements of SFAS No. 161 (ASC 815), *Disclosures About Derivative Financial Instruments and Hedging Activities*. SFAS 161 requires enhanced qualitative and quantitative disclosure requirements regarding derivative instruments. This footnote reflects the new disclosure standard.

***Interest Rate Derivative Instruments***

We utilize interest rate swaps, treasury locks and similar derivative instruments to manage our exposure to changes in the interest rates of certain debt agreements. This strategy is a component in controlling our cost of capital associated with such borrowings. At June 30, 2009, we had no interest rate derivative instruments outstanding.

At times, we may use treasury lock derivative instruments to hedge the underlying U.S. treasury rates related to forecasted issuances of debt. As cash flow hedges, gains or losses on these instruments are recorded in other comprehensive income and amortized to earnings using the effective interest method over the estimated term of the underlying fixed-rate debt. During March 2008, we terminated treasury locks having a combined notional value of $600.0 million and recognized an aggregate loss of $23.2 million in other comprehensive income during the first quarter of 2008. We recognized approximately $3.6 million of this loss in interest expense during the six months ended June 30, 2008 as a result of interest payments hedged under the treasury locks not occurring as forecasted.

For information regarding fair value amounts and gains and losses on interest rate derivative instruments and related hedged items, see "Tabular Presentation of Fair Value Amounts, and Gains and Losses on Derivative Instruments and Related Hedged Items" within this Note 4.

***Commodity Derivative Instruments***

We seek to maintain a position that is substantially balanced between crude oil purchases and related sales and future delivery obligations. The price of crude oil is subject to fluctuations in response to changes in supply, demand, general market uncertainty and a variety of additional factors that are beyond our control. In order to manage the price risk associated with crude oil, we enter into commodity derivative instruments such as forwards, basis swaps and futures contracts. The purpose of such hedging strategy is to either balance our inventory position or to lock in a profit margin.

At June 30, 2009, we had no outstanding commodity derivatives designated as hedging instruments under SFAS 133. Currently, our commodity derivative instruments do not meet the hedge accounting requirements of SFAS 133 and are accounted for as economic hedges using mark-to-market accounting. These financial instruments had a minimal impact on our earnings. The following table summarizes our outstanding commodity derivative instruments not designated as hedging instruments under SFAS 133 at June 30, 2009:

| Derivative Purpose | Volume (1) | Accounting Treatment |
|---|---|---|
| **Derivatives not designated as hedging instruments under SFAS 133:** | | |
| Crude oil risk management activities (2) | 4.5 MMBbls | Mark-to-market |

(1) Reflects the absolute value of the derivative notional volumes.
(2) Reflects the use of derivative instruments to manage risks associated with our portfolio of crude oil storage assets. These commodity derivative instruments have forward positions through March 2010.

For information regarding fair value amounts and gains and losses on commodity derivative instruments and related hedged items, see "Tabular Presentation of Fair Value Amounts, and Gains and Losses on Derivative Instruments and Related Hedged Items" within this Note 4.

***Credit-Risk Related Contingent Features in Derivative Instruments***

We have no credit-risk related contingent features in any of our derivative instruments.

***Tabular Presentation of Fair Value Amounts, and Gains and Losses on Derivative Instruments and Related Hedged Items***

The following table provides a balance sheet overview of our derivative assets and liabilities at the dates indicated:

| | Asset Derivatives | | | | Liability Derivatives | | | |
|---|---|---|---|---|---|---|---|---|
| | June 30, 2009 | | December 31, 2008 | | June 30, 2009 | | December 31, 2008 | |
| | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value |
| <u>**Derivatives not designated as hedging instruments under SFAS 133**</u> | | | | | | | | |
| Commodity derivatives | Other current assets | $ 2.7 | Other current assets | $ 15.7 | Other current liabilities | $ 2.3 | Other current liabilities | $ 15.7 |
| **Total derivatives not designated as hedging instruments** | | $ 2.7 | | $ 15.7 | | $ 2.3 | | $ 15.7 |

The following table presents the effect of our derivative instruments designated as fair value hedges under SFAS 133 on our condensed consolidated statements of income for the periods indicated:

| Derivatives in SFAS 133 Fair Value Hedging Relationships | Location | Gain/(Loss) Recognized in Income on Derivative | | | |
|---|---|---|---|---|---|
| | | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
| | | 2009 | 2008 | 2009 | 2008 |
| Interest rate derivatives | Interest expense | $ -- | $ -- | $ -- | $ -- |
| Total | | $ -- | $ -- | $ -- | $ -- |

| Derivatives in SFAS 133 Fair Value Hedging Relationships | Location | Gain/(Loss) Recognized in Income on Hedged Item | | | |
|---|---|---|---|---|---|
| | | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
| | | 2009 | 2008 | 2009 | 2008 |
| Interest rate derivatives | Interest expense | $ -- | $ -- | $ -- | $ -- |
| Total | | $ -- | $ -- | $ -- | $ -- |

The following tables present the effect of our derivative instruments designated as cash flow hedges under SFAS 133 on our condensed consolidated statements of income for the periods indicated:

| Derivatives in SFAS 133 Cash Flow Hedging Relationships | Change in Value Recognized in OCI on Derivative (Effective Portion) | | | |
|---|---|---|---|---|
| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
| | 2009 | 2008 | 2009 | 2008 |
| Interest rate derivatives | $ -- | $ -- | $ -- | $ (23.2) |
| Commodity derivatives | -- | (20.6) | -- | (27.1) |
| Total | $ -- | $ (20.6) | $ -- | $ (50.3) |

| Derivatives in SFAS 133 Cash Flow Hedging Relationships | Location of Gain/(Loss) Reclassified from AOCI into Income (Effective Portion) | Amount of Gain/(Loss) Reclassified from AOCI to Income (Effective Portion) | | | |
|---|---|---|---|---|---|
| | | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
| | | 2009 | 2008 | 2009 | 2008 |
| Interest rate derivatives | Interest expense | $ (1.4) | $ -- | $ (2.8) | $ 0.1 |
| Commodity derivatives | Revenue | -- | (9.6) | -- | (19.2) |
| Total | | $ (1.4) | $ (9.6) | $ (2.8) | $ (19.1) |

| Derivatives in SFAS 133 Cash Flow Hedging Relationships | Location of Gain/(Loss) Recognized in Income on Ineffective Portion of Derivative | Amount of Gain/(Loss) Reclassified in Income on Ineffective Portion of Derivative | | | |
|---|---|---|---|---|---|
| | | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
| | | 2009 | 2008 | 2009 | 2008 |
| Interest rate derivatives | Interest expense | $ -- | $ -- | $ -- | $ (3.6) |
| Commodity derivatives | Revenue | -- | -- | -- | -- |
| Total | | $ -- | $ -- | $ -- | $ (3.6) |

Over the next twelve months, we expect to reclassify $6.0 million of accumulated other comprehensive loss attributable to settled treasury locks to earnings as an increase to interest expense.

The following table presents the effect of our derivative instruments not designated as hedging instruments under SFAS 133 on our condensed consolidated statements of income for the periods indicated:

| Derivatives Not Designated as SFAS 133 Hedging Instruments | Location | Gain/(Loss) Recognized in Income on Derivative | | | |
|---|---|---|---|---|---|
| | | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
| | | 2009 | 2008 | 2009 | 2008 |
| Commodity derivatives | Revenue | $ (0.2) | $ (0.1) | $ 0.6 | $ 0.3 |
| Total | | $ (0.2) | $ (0.1) | $ 0.6 | $ 0.3 |

***SFAS 157 – Fair Value Measurements***

SFAS 157 (ASC 820) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a specified measurement date. Our fair value estimates are based on either (i) actual market data or (ii) assumptions that other market participants would use in pricing an asset or liability, including estimates of risk. Recognized valuation

techniques employ inputs such as product prices, operating costs, discount factors and business growth rates. These inputs may be either readily observable, corroborated by market data or generally unobservable. In developing our estimates of fair value, we endeavor to utilize the best information available and apply market-based data to the extent possible. Accordingly, we utilize valuation techniques (such as the market approach) that maximize the use of observable inputs and minimize the use of unobservable inputs.

SFAS 157 established a three-tier hierarchy that classifies fair value amounts recognized or disclosed in the financial statements based on the observability of inputs used to estimate such fair values. The hierarchy considers fair value amounts based on observable inputs (Levels 1 and 2) to be more reliable and predictable than those based primarily on unobservable inputs (Level 3). At each balance sheet reporting date, we categorize our financial assets and liabilities using this hierarchy. The characteristics of fair value amounts classified within each level of the SFAS 157 hierarchy are described as follows:

§ Level 1 fair values are based on quoted prices, which are available in active markets for identical assets or liabilities as of the measurement date. Active markets are defined as those in which transactions for identical assets or liabilities occur with sufficient frequency so as to provide pricing information on an ongoing basis (e.g., the NYSE or New York Mercantile Exchange). Level 1 primarily consists of financial assets and liabilities such as exchange-traded financial instruments, publicly-traded equity securities and U.S. government treasury securities. At June 30, 2009, we had no Level 1 financial assets and liabilities.

§ Level 2 fair values are based on pricing inputs other than quoted prices in active markets (as reflected in Level 1 fair values) and are either directly or indirectly observable as of the measurement date. Level 2 fair values include instruments that are valued using financial models or other appropriate valuation methodologies. Such financial models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, the time value of money, volatility factors for stocks, current market and contractual prices for the underlying instruments and other relevant economic measures. Substantially all of these assumptions are (i) observable in the marketplace throughout the full term of the instrument, (ii) can be derived from observable data or (iii) are validated by inputs other than quoted prices (e.g., interest rates and yield curves at commonly quoted intervals). Our Level 2 fair values primarily consist of commodity forward agreements transacted over-the-counter. The fair values of these derivatives are based on observable price quotes for similar products and locations.

§ Level 3 fair values are based on unobservable inputs. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Unobservable inputs reflect the reporting entity's own ideas about the assumptions that market participants would use in pricing an asset or liability (including assumptions about risk). Unobservable inputs are based on the best information available in the circumstances, which might include the reporting entity's internally developed data. The reporting entity must not ignore information about market participant assumptions that is reasonably available without undue cost and effort. Level 3 inputs are typically used in connection with internally developed valuation methodologies where management makes its best estimate of an instrument's fair value. Our Level 3 fair values largely consist of commodity contracts generally less than one year in term. We rely on broker quotes for these prices due to the limited observability of locational and quality-based pricing differentials. At June 30, 2009, our Level 3 financial assets were less than $0.1 million.

The following table sets forth, by level within the fair value hierarchy, our financial assets and liabilities measured on a recurring basis at June 30, 2009. These financial assets and liabilities are

classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the fair value assets and liabilities, in addition to their placement within the fair value hierarchy levels.

| | Level 2 | Level 3 | Total |
|---|---|---|---|
| **Financial assets:** | | | |
| Commodity derivative instruments | $ 2.7 | $ -- | $ 2.7 |
| Total | $ 2.7 | $ -- | $ 2.7 |
| | | | |
| **Financial liabilities:** | | | |
| Commodity derivative instruments | $ 2.3 | $ -- | $ 2.3 |
| Total | $ 2.3 | $ -- | $ 2.3 |

The following table sets forth a reconciliation of changes in the fair value of our Level 3 financial assets and liabilities for the periods indicated:

| | For the Six Months Ended June 30, | |
|---|---|---|
| | 2009 | 2008 |
| **Balance, January 1** | $ (0.1) | $ (0.4) |
| Total gains included in net income | 0.4 | 0.4 |
| Purchases, issuances, settlements | 0.1 | -- |
| **Balance, March 31** | 0.4 | -- |
| Total losses included in net income | -- | (0.1) |
| Purchases, issuances, settlements | (0.4) | -- |
| **Balance, June 30** | $ -- | $ (0.1) |

We adopted the provisions of SFAS 157 that apply to nonfinancial assets and liabilities on January 1, 2009. Our adoption of this guidance had no impact on our financial position, results of operations or cash flows.

Certain nonfinancial assets and liabilities are measured at fair value on a nonrecurring basis and are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). The following table presents the fair value of an asset carried on the balance sheet by caption and by level within the SFAS 157 valuation hierarchy (as described above) at the date indicated for which a nonrecurring change in fair value has been recorded during the period:

| | June 30, 2009 | Level 1 | Level 2 | Level 3 | Total Losses |
|---|---|---|---|---|---|
| Property, plant and equipment | $ 3.0 | $ -- | $ -- | $ 3.0 | $ 2.3 |

As a result of idling a river terminal at Helena, Arkansas, in our Downstream Segment, during the six months ended June 30, 2009, we recorded a non-cash impairment charge of $2.3 million, which is included in operating expense for the three months and six months ended June 30, 2009 (see Note 6). We estimated the fair value of the asset using appropriate valuation techniques.

**Note 5. 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 at the dates indicated:

| | June 30, 2009 | December 31, 2008 |
|---|---|---|
| Crude oil (1) | $ 58.1 | $ 32.8 |
| Refined products and LPGs (2) | 17.2 | 0.4 |
| Lubrication oils and specialty chemicals | 10.2 | 11.1 |
| Materials and supplies | 10.0 | 8.6 |
| NGLs | 0.1 | -- |
| Total | $ 95.6 | $ 52.9 |

(1) At June 30, 2009 and December 31, 2008, $57.8 million and $30.7 million, respectively, of our crude oil inventory was subject to forward sales contracts.

(2) Refined products and LPGs inventory is managed on a combined basis.

Due to fluctuating commodity prices, we recognize lower of average cost or market ("LCM") adjustments when the carrying value of our inventories exceeds their net realizable value. These non-cash charges are a component of costs and expenses in the period they are recognized. For the three months ended June 30, 2009 and 2008, we recognized LCM adjustments of approximately $1.1 million and $0.1 million, respectively. We recognized LCM adjustments of $2.1 million and $0.1 million for the six months ended June 30, 2009 and 2008, respectively.

**Note 6. Property, Plant and Equipment**

Our property, plant and equipment values and accumulated depreciation balances were as follows at the dates indicated:

| | Estimated Useful Life in Years | June 30, 2009 | December 31, 2008 |
|---|---|---|---|
| Plants and pipelines (1) | 5-40(5) | $ 1,943.9 | $ 1,919.7 |
| Underground and other storage facilities (2) | 5-40(6) | 315.8 | 296.8 |
| Transportation equipment (3) | 5-10 | 13.0 | 11.3 |
| Marine vessels (4) | 20-30 | 508.6 | 453.0 |
| Land and right of way | | 144.1 | 143.8 |
| Construction work in progress | | 396.1 | 294.1 |
| Total property, plant and equipment | | $ 3,321.5 | $ 3,118.7 |
| Less: accumulated depreciation | | 729.9 | 678.8 |
| Property, plant and equipment, net | | $ 2,591.6 | $ 2,439.9 |

(1) Plants and pipelines include refined products, LPGs, NGLs, petrochemical, crude oil and natural gas pipelines; terminal loading and unloading facilities; office furniture and equipment; buildings, laboratory and shop equipment; and related assets.

(2) Underground and other storage facilities include underground product storage caverns, storage tanks and other related assets.

(3) Transportation equipment includes vehicles and similar assets used in our operations.

(4) $50.0 million of the increase relates to the vessels acquired from TransMontaigne Products Services Inc. (see Note 8).

(5) The estimated useful lives of major components of this category are as follows: pipelines, 20-40 years (with some equipment at 5 years); terminal facilities, 10-40 years; office furniture and equipment, 5-10 years; buildings, 20-40 years; and laboratory and shop equipment, 5-40 years.

(6) The estimated useful lives of major components of this category are as follows: underground storage facilities, 20-40 years (with some components at 5 years); and storage tanks, 20-30 years.

The following table summarizes our depreciation expense and capitalized interest amounts for the periods indicated:

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Depreciation expense (1) | $ 28.4 | $ 23.9 | $ 53.8 | $ 45.8 |
| Capitalized interest (2) | 5.2 | 5.5 | 10.5 | 9.9 |

(1) Depreciation expense is a component of depreciation and amortization expense as presented in our unaudited condensed statements of consolidated income.

(2) Capitalized interest (included in interest expense on our unaudited condensed statements of consolidated income) increases the carrying value of the associated asset and reduces interest expense during the period it is recorded.

During the three months and six months ended June 30, 2009, we recorded a $2.3 million non-cash impairment charge, which is included in operating expense, related to the idling of a river terminal at Helena, Arkansas, in our Downstream Segment.

***Asset Retirement Obligations***

Asset retirement obligations ("AROs") are legal obligations associated with the retirement of certain tangible long-lived assets that result from acquisitions, construction, development and/or normal operations or a combination of these factors. Our ARO liability balance at June 30, 2009 and December 31, 2008 was $1.5 million. Accretion expense was less than $0.1 million for each of the three months ended June 30, 2009 and 2008. For each of the six months ended June 30, 2009 and 2008, accretion expense was $0.1 million. Property, plant and equipment at June 30, 2009 include $0.7 million of asset retirement costs capitalized as an increase in the associated long-lived asset.

**Note 7. Investments In Unconsolidated Affiliates**

We own interests in related businesses that are accounted for using the equity method of accounting. These investments are identified in the following table by reporting business segment (see Note 12 for a general discussion of our business segments). The following table presents our investments in unconsolidated affiliates at the dates indicated:

| | Ownership Percentage at June 30, 2009 | June 30, 2009 | December 31, 2008 |
|---|---|---|---|
| Downstream Segment: | | | |
| Centennial Pipeline LLC ("Centennial") | 50.0% | $ 66.4 | $ 71.8 |
| Other | 25.0% | 0.4 | 0.4 |
| Upstream Segment: | | | |
| Seaway Crude Pipeline Company ("Seaway") | 50.0% | 182.9 | 190.1 |
| Texas Offshore Port System ("TOPS") (1) | -- | -- | 35.9 |
| Midstream Segment: | | | |
| Jonah Gas Gathering Company ("Jonah") | 80.64% | 949.2 | 957.7 |
| Total | | $ 1,198.9 | $ 1,255.9 |

(1) In January 2009, we received a $3.1 million refund of our 2008 contributions to TOPS due to a delay in the timing of the expected project spending. In February and March 2009, we then invested an additional $1.4 million in TOPS. In April 2009, we elected to dissociate from TOPS and forfeited our investment. See below for further information.

Our investments in Centennial, Seaway and Jonah included excess cost amounts totaling $73.3 million and $72.9 million at June 30, 2009 and December 31, 2008, respectively. The value assigned to our excess investment in Centennial was created upon its formation, the value assigned to our excess investment in Seaway was created upon acquisition of our ownership interest in Seaway and the value assigned to our excess investment in Jonah was created as a result of interest capitalized on the construction of Jonah's expansion. We amortize such excess cost as a reduction in equity earnings in a manner similar

to depreciation over the life of applicable contracts or assets acquired or constructed. Amortization of excess cost amounts was $1.1 million and $1.3 million for the three months ended June 30, 2009 and 2008, respectively. For the six months ended June 30, 2009 and 2008, amortization of such excess cost amounts was $2.6 million and $2.4 million, respectively. For the remainder of 2009, amortization expense associated with our excess investments is currently estimated at $3.0 million.

In August 2008, a wholly owned subsidiary of ours, together with a subsidiary of Enterprise Products Partners and Oiltanking Holding Americas, Inc. ("Oiltanking"), formed the TOPS partnership. Effective April 16, 2009, our wholly owned subsidiary dissociated from TOPS. As a result, equity earnings and net income for the second quarter of 2009 include a non-cash charge of $34.2 million. This loss represents our cumulative investment in TOPS through the date of dissociation and reflects our capital contributions to TOPS for construction in progress amounts. We believe that the dissociation discharged our affiliate with respect to further obligations under the TOPS partnership agreement, and accordingly, us from the associated liability under the related parent guarantee; therefore, we have not recorded any amounts related to such guarantee. The wholly owned subsidiary of Enterprise Products Partners that was a partner in TOPS also dissociated from the partnership effective April 16, 2009. See Note 15 for litigation matters associated with our dissociation from TOPS.

The following table summarizes equity in income (loss) of unconsolidated affiliates by business segment for the periods indicated:

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Downstream Segment | $ (4.3) | $ (3.7) | $ (7.4) | $ (7.8) |
| Upstream Segment (1) | (31.3) | 4.2 | (28.0) | 7.2 |
| Midstream Segment | 23.8 | 21.9 | 49.4 | 45.6 |
| Intersegment eliminations | (0.4) | (1.1) | (1.1) | (4.0) |
| Total | $ (12.2) | $ 21.3 | $ 12.9 | $ 41.0 |

(1) 2009 periods include the non-cash charge of $34.2 million related to the dissociation from TOPS.

On a quarterly basis, we monitor the underlying business fundamentals of our investments in unconsolidated affiliates and test such investments for impairment when impairment indicators are present. As a result of our reviews for the second quarter of 2009, no impairment charges were required. We have the intent and ability to hold these investments, which are integral to our operations.

***Summarized Financial Information of Unconsolidated Affiliates***

Summarized combined income statement data by reporting segment for the periods indicated is presented in the following table (on a 100% basis):

| | Summarized Income Statement Information for the Three Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | June 30, 2009 | | | June 30, 2008 | | |
| | Revenues | Operating Income (Loss) | Net Income (Loss) | Revenues | Operating Income | Net Income (Loss) |
| Downstream Segment | $ 7.7 | $ (2.8) | $ (5.4) | $ 10.4 | $ 1.3 | $ (1.5) |
| Upstream Segment | 21.8 | 10.1 | 10.0 | 27.4 | 15.3 | 15.3 |
| Midstream Segment | 61.2 | 29.6 | 29.6 | 60.2 | 26.9 | 27.2 |

| | Summarized Income Statement Information for the Six Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | June 30, 2009 | | | June 30, 2008 | | |
| | Revenues | Operating Income (Loss) | Net Income (Loss) | Revenues | Operating Income | Net Income (Loss) |
| Downstream Segment | $ 17.4 | $ (0.6) | $ (5.8) | $ 20.0 | $ 2.2 | $ (3.3) |
| Upstream Segment | 41.5 | 18.8 | 18.8 | 48.0 | 25.7 | 25.7 |
| Midstream Segment | 120.6 | 61.4 | 61.6 | 118.4 | 56.2 | 56.6 |

**Note 8. Business Combination**

On June 5, 2009, we expanded our Marine Services Segment with the acquisition of 19 tow boats and 28 tank barges from TransMontaigne Product Services Inc. ("TransMontaigne"), for $50.0 million in cash. The acquired vessels provide marine vessel fueling services for cruise liners and cargo ships, referred to as bunkering, and other ship-assist services and transport fuel oil for electric generation plants. The acquisition complements our existing fleet of vessels that currently transport petroleum products along the nation's inland waterway system and in the Gulf of Mexico. The newly acquired marine assets are generally supported by contracts that have a three to five year term and are based primarily in Miami, Florida, with additional assets located in Mobile, Alabama, and Houston, Texas. We financed the acquisition with borrowings under our revolving credit facility.

The results of operations for the TransMontaigne acquisition are included in our consolidated financial statements beginning at the date of acquisition. This acquisition was accounted for as a business combination using the acquisition method of accounting in accordance with SFAS 141(R) (ASC 805). Under SFAS 141(R), all of the assets acquired in the transaction are recognized at their acquisition-date fair values, while transaction costs associated with the transaction are expensed as incurred. Accordingly, the cost of the acquisition has been recorded as property, plant and equipment based on estimated fair values. Such fair values have been developed using recognized business valuation techniques.

On a pro forma basis, our revenues, costs and expenses, operating income, net income and earnings per Unit amounts would not have differed materially from those we actually reported for the three months and six months ended June 30, 2009 and 2008 due to the immaterial nature of our 2009 business combination transaction.

**Note 9. Intangible Assets and Goodwill**

***Intangible Assets***

The following table summarizes intangible assets by business segment being amortized at the dates indicated:

| | June 30, 2009 | | | December 31, 2008 | | |
|---|---|---|---|---|---|---|
| | Gross Value | Accum. Amort. | Carrying Value | Gross Value | Accum. Amort. | Carrying Value |
| Intangible assets: | | | | | | |
| Downstream Segment: | | | | | | |
| Transportation agreements | $ 1.0 | $ (0.4) | $ 0.6 | $ 1.0 | $ (0.4) | $ 0.6 |
| Other | 7.0 | (1.0) | 6.0 | 5.6 | (0.8) | 4.8 |
| Subtotal | 8.0 | (1.4) | 6.6 | 6.6 | (1.2) | 5.4 |
| Upstream Segment: | | | | | | |
| Transportation agreements | 0.9 | (0.4) | 0.5 | 0.9 | (0.4) | 0.5 |
| Other | 10.5 | (3.3) | 7.2 | 10.6 | (3.0) | 7.6 |
| Subtotal | 11.4 | (3.7) | 7.7 | 11.5 | (3.4) | 8.1 |
| Midstream Segment: | | | | | | |
| Gathering agreements | 239.7 | (134.1) | 105.6 | 239.6 | (125.8) | 113.8 |
| Fractionation agreements | 38.0 | (21.4) | 16.6 | 38.0 | (20.4) | 17.6 |
| Other | 0.3 | (0.2) | 0.1 | 0.3 | (0.1) | 0.2 |
| Subtotal | 278.0 | (155.7) | 122.3 | 277.9 | (146.3) | 131.6 |
| Marine Services Segment: | | | | | | |
| Customer relationship intangibles | 51.3 | (4.8) | 46.5 | 51.3 | (3.1) | 48.2 |
| Other | 18.7 | (6.7) | 12.0 | 18.7 | (4.3) | 14.4 |
| Subtotal | 70.0 | (11.5) | 58.5 | 70.0 | (7.4) | 62.6 |
| Total intangible assets | $ 367.4 | $ (172.3) | $ 195.1 | $ 366.0 | $ (158.3) | $ 207.7 |

The following table presents amortization expense of intangible assets by business segment for the periods indicated:

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Downstream Segment | $ 0.1 | $ 0.1 | $ 0.2 | $ 0.2 |
| Upstream Segment | 0.2 | 0.2 | 0.3 | 0.3 |
| Midstream Segment | 4.8 | 5.4 | 9.4 | 10.4 |
| Marine Services Segment | 2.0 | 2.2 | 4.1 | 3.4 |
| Total | $ 7.1 | $ 7.9 | $ 14.0 | $ 14.3 |

Based on information currently available, we estimate that amortization expense will approximate $13.1 million for the last six months of 2009, $24.6 million for 2010, $22.7 million for 2011, $17.2 million for 2012 and $15.6 million for 2013.

***Goodwill***

The following table presents the carrying amount of goodwill by business segment at the dates indicated:

| | June 30, 2009 | December 31, 2008 |
|---|---|---|
| Downstream Segment | $ 1.3 | $ 1.3 |
| Upstream Segment | 14.9 | 14.9 |
| Marine Services Segment | 90.4 | 90.4 |
| Total | $ 106.6 | $ 106.6 |

**Note 10. Debt Obligations**

The following table summarizes the principal amounts outstanding under all of our debt instruments at the dates indicated:

| | June 30, 2009 | December 31, 2008 |
|---|---|---|
| Senior debt obligations: (1) | | |
| Revolving Credit Facility, due December 2012 (2) | $ 723.3 | $ 516.7 |
| 7.625% Senior Notes, due February 2012 | 500.0 | 500.0 |
| 6.125% Senior Notes, due February 2013 | 200.0 | 200.0 |
| 5.90% Senior Notes, due April 2013 | 250.0 | 250.0 |
| 6.65% Senior Notes, due April 2018 | 350.0 | 350.0 |
| 7.55% Senior Notes, due April 2038 | 400.0 | 400.0 |
| Total principal amount of long-term senior debt obligations | 2,423.3 | 2,216.7 |
| 7.000% Junior Subordinated Notes, due June 2067 (1) | 300.0 | 300.0 |
| Total principal amount of long-term debt obligations | 2,723.3 | 2,516.7 |
| Adjustment to carrying value associated with hedges of fair value and unamortized discounts (3) | 10.5 | 12.9 |
| Total long-term debt obligations | 2,733.8 | 2,529.6 |
| Total Debt Instruments (3) | $ 2,733.8 | $ 2,529.6 |

(1) TE Products, TCTM, TEPPCO Midstream and Val Verde Gas Gathering Company, L.P. ("Val Verde") (collectively, the "Guarantor Subsidiaries") have issued full, unconditional, joint and several guarantees of our senior notes, junior subordinated notes and revolving credit facility ("Revolving Credit Facility").

(2) The weighted-average interest rate paid on our variable rate Revolving Credit Facility at June 30, 2009 was 0.92%.

(3) From time to time we enter into interest rate swap agreements to hedge our exposure to changes in the fair value on a portion of the debt obligations presented above (see Note 4). At June 30, 2009 and December 31, 2008, amount includes $5.0 million and $5.2 million of unamortized discounts, respectively, and $15.5 million and $18.1 million, respectively, related to fair value hedges.

Except for routine fluctuations in our unsecured Revolving Credit Facility, there have been no material changes in the terms of our debt obligations since those reported in our Annual Report on Form 10-K for the year ended December 31, 2008.

During September 2008, Lehman Brothers Bank, FSB ("Lehman"), which had a 4.05% participation in our Revolving Credit Facility, stopped funding its commitment following the bankruptcy filing of its parent entity. Assuming that future fundings are not received for the Lehman percentage commitment, aggregate available capacity would be reduced by approximately $28.9 million. At June 30, 2009, our available borrowing capacity under the Revolving Credit Facility was approximately $197.8 million.

See Note 18 for a subsequent event regarding a loan agreement we entered into with Enterprise Products Partners.

***Covenants***

We were in compliance with the covenants of our long-term debt obligations at June 30, 2009.

***Debt Obligations of Unconsolidated Affiliates***

We have one unconsolidated affiliate, Centennial, with long-term debt obligations. The following table shows the total debt of Centennial at June 30, 2009 (on a 100% basis) and the corresponding scheduled maturities of such debt.

| | Our Ownership Interest | Total | Scheduled Maturities of Debt | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | 2009 | 2010 | 2011 | 2012 | 2013 | After 2013 |
| Centennial | 50% | $ 124.8 | $ 4.8 | $ 9.1 | $ 9.0 | $ 8.9 | $ 8.6 | $ 84.4 |

At June 30, 2009 and December 31, 2008, Centennial's debt obligations consisted of $124.8 million and $129.9 million, respectively, borrowed under a master shelf loan agreement. Borrowings under the master shelf agreement mature in May 2024 and are collateralized by substantially all of Centennial's assets and severally guaranteed by Centennial's owners (see Note 15).

There have been no material changes in the terms of the debt obligations of Centennial since those reported in our Annual Report on Form 10-K for the year ended December 31, 2008.

**Note 11. Partners' Capital and Distributions**

Our Units represent limited partner interests, which give the holders thereof the right to participate in distributions and to exercise the other rights or privileges available to them under our partnership agreement ("Partnership Agreement"). We are managed by our General Partner.

In accordance with the Partnership Agreement, capital accounts are maintained for our General Partner and limited partners. The capital account provisions of our Partnership Agreement incorporate principles established for U.S. federal income tax purposes and are not comparable to the equity accounts reflected under GAAP in our consolidated financial statements. In connection with the amendment of our Partnership Agreement in December 2006, the General Partner's obligation to make capital contributions to maintain its 2% capital account was eliminated.

Our Partnership Agreement sets forth the calculation to be used in determining the amount and priority of cash distributions that our limited partners and General Partner will receive. Net income reflected under GAAP in our financial statements is allocated between the General Partner and the limited

partners in the same proportion as aggregate cash distributions made to the General Partner and the limited partners during the period. Net income determined under our Partnership Agreement, however, incorporates principles established for U.S. federal income tax purposes and is not comparable to net income reflected under GAAP in our financial statements.

***Registration Statements***

In general, the Partnership Agreement authorizes us to issue an unlimited number of additional limited partner interests and other equity securities for such consideration and on such terms and conditions as may be established by our General Partner in its sole discretion (subject, under certain circumstances, to the approval of our unitholders).

We have a universal shelf registration statement on file with the SEC that allows us to issue an unlimited amount of debt and equity securities.

We also have a registration statement on file with the SEC authorizing the issuance of up to 10,000,000 Units in connection with our distribution reinvestment plan ("DRIP"). A total of 533,936 Units have been issued under this registration statement from inception of the DRIP through June 30, 2009. See Note 18 for information regarding the suspension of the DRIP.

In addition, we have a registration statement on file related to our employee unit purchase plan ("EUPP"), under which we can issue up to 1,000,000 Units. A total of 43,506 Units have been issued to employees under this plan from inception of the EUPP through June 30, 2009. See Note 18 for information regarding the suspension of the EUPP.

During the six months ended June 30, 2009, a total of 131,605 Units were issued in connection with the DRIP and the EUPP. Total net proceeds received during the six months ended June 30, 2009 from these Unit offerings was $3.3 million.

***Summary of Changes in Outstanding Units***

The following table summarizes changes in our outstanding units since December 31, 2008:

| | Limited Partner Units | Restricted Units | Treasury Units | Total |
|---|---|---|---|---|
| **Balance, December 31, 2008** | 104,547,561 | 157,300 | -- | 104,704,861 |
| Units issued in connection with DRIP | 115,703 | -- | -- | 115,703 |
| Units issued in connection with EUPP | 15,902 | -- | -- | 15,902 |
| Issuance of restricted units under 2006 LTIP | -- | 140,450 | -- | 140,450 |
| Conversion of restricted units to Units | 5,000 | (5,000) | -- | -- |
| Acquisition of treasury units | (1,562) | -- | 1,562 | -- |
| Cancellation of treasury units | -- | -- | (1,562) | (1,562) |
| Forfeiture of restricted units | -- | (32,350) | -- | (32,350) |
| **Balance, June 30, 2009** | 104,682,604 | 260,400 | -- | 104,943,004 |

During the six months ended June 30, 2009, 5,000 restricted unit awards vested and were converted into Units. Of this amount, 1,562 were sold back to us by an employee to cover related withholding tax requirements. The total cost of these treasury units were approximately $0.1 million, which was allocated to our limited partners. Immediately upon acquisition, we cancelled such treasury units.

*Quarterly Distributions of Available Cash*

We make quarterly cash distributions of all of our available cash, generally defined in our Partnership Agreement as consolidated cash receipts less consolidated cash disbursements and cash reserves established by the General Partner in its reasonable discretion ("Available Cash"). Pursuant to the Partnership Agreement, the General Partner receives incremental incentive cash distributions when unitholders' cash distributions exceed certain target thresholds.

The following table reflects the allocation of total distributions paid during the periods indicated:

| | For the Six Months Ended June 30, 2009 | For the Six Months Ended June 30, 2008 |
|---|---|---|
| Limited Partner Units | $ 151.8 | $ 129.8 |
| General Partner Ownership Interest | 3.1 | 2.6 |
| General Partner Incentive | 27.9 | 23.3 |
| Total Cash Distributions Paid | $ 182.8 | $ 155.7 |
| Total Cash Distributions Paid Per Unit | $ 1.450 | $ 1.405 |

Our quarterly cash distributions for 2009 are presented in the following table:

| | Distribution per Unit | Record Date | Payment Date |
|---|---|---|---|
| 1st Quarter 2009 | $ 0.725 | Apr. 30, 2009 | May 7, 2009 |
| 2nd Quarter 2009 (1) | $ 0.725 | Jul. 31, 2009 | Aug. 7, 2009 |

(1) The second quarter 2009 cash distribution will total approximately $91.6 million.

*General Partner's Interest*

At June 30, 2009 and December 31, 2008, we had deficit balances of $126.3 million and $110.3 million, respectively, in our General Partner's equity account. These negative balances do not represent assets to us and do not represent obligations of the General Partner to contribute cash or other property to us. According to the Partnership Agreement, in the event of our dissolution, after satisfying our liabilities, our remaining assets would be divided among our limited partners and the General Partner generally in the same proportion as Available Cash but calculated on a cumulative basis over the life of the Partnership. If a deficit balance still remains in the General Partner's equity account after all allocations are made between the partners, the General Partner would not be required to make whole any such deficit.

*Accumulated Other Comprehensive Loss*

Our accumulated other comprehensive loss balance consisted of losses of $43.0 million and $45.8 million related to interest rate and treasury lock derivative instruments at June 30, 2009 and December 31, 2008, respectively.

**Note 12. Business Segments**

We have four reporting segments:

- § Our Downstream Segment, which is engaged in the pipeline transportation, marketing and storage of refined products, LPGs and petrochemicals;
- § Our Upstream Segment, which is engaged in the gathering, pipeline transportation, marketing and storage of crude oil, distribution of lubrication oils and specialty chemicals and fuel transportation services;
- § Our Midstream Segment, which is engaged in the gathering of natural gas, fractionation of NGLs and pipeline transportation of NGLs; and
- § Our Marine Services Segment, which is engaged in the marine transportation of petroleum products and provision of marine vessel fueling and other ship-assist services.

The following table presents our measurement of earnings before interest expense for the periods indicated:

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Total operating revenues | $ 1,913.2 | $ 4,180.5 | $ 3,370.8 | $ 6,989.0 |
| Less: Total costs and expenses | 1,857.3 | 4,121.2 | 3,229.2 | 6,846.2 |
| Operating income | 55.9 | 59.3 | 141.6 | 142.8 |
| Add: Equity in income (loss) of unconsolidated affiliates | (12.2) | 21.3 | 12.9 | 41.0 |
| Other, net | 0.7 | 1.1 | 1.0 | 1.4 |
| Earnings before interest expense and provision for income taxes | $ 44.4 | $ 81.7 | $ 155.5 | $ 185.2 |

A reconciliation of our earnings before interest expense and provision for income taxes to net income for the periods indicated is as follows:

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Earnings before interest expense and provision for income taxes | $ 44.4 | $ 81.7 | $ 155.5 | $ 185.2 |
| Interest expense | (32.3) | (33.0) | (64.4) | (71.6) |
| Income before provision for income taxes | 12.1 | 48.7 | 91.1 | 113.6 |
| Provision for income taxes | (0.9) | (1.0) | (1.7) | (1.8) |
| Net income | $ 11.2 | $ 47.7 | $ 89.4 | $ 111.8 |

Amounts indicated in the following table as "Partnership and Other" for income and expense items (including operating income) relate primarily to intersegment eliminations from activities among our reporting segments. Amounts indicated in the following table as "Partnership and Other" for assets and capital expenditures include the elimination of intersegment related party receivables and investment balances among our reporting segments and assets that we hold that have not been allocated to any of our reporting segments (including such items as corporate furniture and fixtures, vehicles, computer hardware and software, prepaid insurance and unamortized debt issuance costs on debt issued at the Partnership level).

The following table includes information by segment, together with reconciliations to our consolidated totals, for the periods indicated:

| | Reportable Segments | | | | | |
|---|---|---|---|---|---|---|
| | Downstream Segment | Upstream Segment | Midstream Segment | Marine Services Segment | Partnership and Other | Consolidated |
| **Revenues from third parties:** | | | | | | |
| Three months ended June 30, 2009 | $ 79.0 | $ 1,751.4 | $ 27.6 | $ 43.7 | $ -- | $ 1,901.7 |
| Three months ended June 30, 2008 | 75.1 | 4,025.2 | 27.2 | 48.1 | -- | 4,175.6 |
| Six months ended June 30, 2009 | 155.6 | 3,047.5 | 52.8 | 80.6 | -- | 3,336.5 |
| Six months ended June 30, 2008 | 169.7 | 6,680.3 | 53.8 | 73.6 | -- | 6,977.4 |
| **Revenues from related parties:** | | | | | | |
| Three months ended June 30, 2009 | 7.9 | 0.2 | 3.5 | -- | (0.1) | 11.5 |
| Three months ended June 30, 2008 | 1.3 | 0.2 | 3.4 | -- | -- | 4.9 |
| Six months ended June 30, 2009 | 26.8 | 0.3 | 7.3 | -- | (0.1) | 34.3 |
| Six months ended June 30, 2008 | 4.4 | 0.4 | 6.9 | -- | (0.1) | 11.6 |
| **Total revenues:** | | | | | | |
| Three months ended June 30, 2009 | 86.9 | 1,751.6 | 31.1 | 43.7 | (0.1) | 1,913.2 |
| Three months ended June 30, 2008 | 76.4 | 4,025.4 | 30.6 | 48.1 | -- | 4,180.5 |
| Six months ended June 30, 2009 | 182.4 | 3,047.8 | 60.1 | 80.6 | (0.1) | 3,370.8 |
| Six months ended June 30, 2008 | 174.1 | 6,680.7 | 60.7 | 73.6 | (0.1) | 6,989.0 |
| **Depreciation and amortization:** | | | | | | |
| Three months ended June 30, 2009 | 13.3 | 6.7 | 10.3 | 6.5 | -- | 36.8 |
| Three months ended June 30, 2008 | 10.5 | 5.0 | 10.0 | 6.4 | -- | 31.9 |
| Six months ended June 30, 2009 | 24.8 | 12.3 | 19.8 | 12.9 | -- | 69.8 |
| Six months ended June 30, 2008 | 20.7 | 9.8 | 19.6 | 10.1 | -- | 60.2 |
| **Operating income:** | | | | | | |
| Three months ended June 30, 2009 | 13.5 | 29.9 | 3.8 | 8.3 | 0.4 | 55.9 |
| Three months ended June 30, 2008 | 15.7 | 25.6 | 8.3 | 8.6 | 1.1 | 59.3 |
| Six months ended June 30, 2009 | 47.9 | 70.8 | 8.3 | 13.5 | 1.1 | 141.6 |
| Six months ended June 30, 2008 | 52.0 | 54.9 | 16.7 | 15.2 | 4.0 | 142.8 |
| **Equity in income (loss) of unconsolidated affiliates:** | | | | | | |
| Three months ended June 30, 2009 | (4.3) | (31.3) | 23.8 | -- | (0.4) | (12.2) |
| Three months ended June 30, 2008 | (3.7) | 4.2 | 21.9 | -- | (1.1) | 21.3 |
| Six months ended June 30, 2009 | (7.4) | (28.0) | 49.4 | -- | (1.1) | 12.9 |
| Six months ended June 30, 2008 | (7.8) | 7.2 | 45.6 | -- | (4.0) | 41.0 |
| **Earnings before interest expense and provision for income taxes:** | | | | | | |
| Three months ended June 30, 2009 | 9.4 | (0.9) | 27.6 | 8.3 | -- | 44.4 |
| Three months ended June 30, 2008 | 12.4 | 30.4 | 30.3 | 8.6 | -- | 81.7 |
| Six months ended June 30, 2009 | 41.0 | 43.3 | 57.7 | 13.5 | -- | 155.5 |
| Six months ended June 30, 2008 | 44.8 | 62.7 | 62.5 | 15.2 | -- | 185.2 |
| **Capital expenditures:** | | | | | | |
| Six months ended June 30, 2009 | 120.7 | 16.5 | 7.3 | 18.3 | 1.5 | 164.3 |
| Year ended December 31, 2008 | 209.8 | 33.4 | 5.2 | 43.6 | 8.5 | 300.5 |
| **Segment assets:** | | | | | | |
| At June 30, 2009 | 1,417.9 | 1,697.8 | 1,517.8 | 703.1 | 18.3 | 5,354.9 |
| At December 31, 2008 | 1,320.9 | 1,586.3 | 1,529.1 | 653.3 | (39.8) | 5,049.8 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Investments in unconsolidated affiliates:** | | | | | | |
| At June 30, 2009 | 58.1 | 182.9 | 949.2 | -- | 8.7 | 1,198.9 |
| At December 31, 2008 | 63.2 | 226.0 | 957.7 | -- | 9.0 | 1,255.9 |
| | | | | | | |
| **Intangible assets, net:** | | | | | | |
| At June 30, 2009 | 6.6 | 7.7 | 122.3 | 58.5 | -- | 195.1 |
| At December 31, 2008 | 5.4 | 8.1 | 131.6 | 62.6 | -- | 207.7 |
| | | | | | | |
| **Goodwill:** | | | | | | |
| At June 30, 2009 | 1.3 | 14.9 | -- | 90.4 | -- | 106.6 |
| At December 31, 2008 | 1.3 | 14.9 | -- | 90.4 | -- | 106.6 |

## Note 13. Related Party Transactions

The following table summarizes related party transactions for the periods indicated:

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| **Revenues from EPCO and affiliates:** | | | | |
| Sales of petroleum products (1) | $ 0.2 | $ 0.3 | $ 0.3 | $ 0.9 |
| Transportation – NGLs (2) | 3.5 | 3.4 | 7.3 | 6.8 |
| Transportation – LPGs (3) | 1.5 | 1.0 | 6.4 | 3.3 |
| Other operating revenues (4) | 6.3 | 0.2 | 20.3 | 0.6 |
| Related party revenues | $ 11.5 | $ 4.9 | $ 34.3 | $ 11.6 |
| **Costs and Expenses from EPCO and affiliates:** | | | | |
| Purchases of petroleum products (5) | $ 45.2 | $ 30.5 | $ 71.9 | $ 50.2 |
| Operating expense (6) | 29.5 | 26.7 | 58.1 | 48.2 |
| General and administrative (7) | 7.4 | 8.0 | 15.5 | 16.8 |
| **Costs and Expenses from unconsolidated affiliates:** | | | | |
| Purchases of petroleum products (8) | 0.7 | 2.0 | -- | 3.5 |
| Operating expense (9) | 0.6 | 1.6 | 2.2 | 3.9 |
| **Costs and Expenses from Cenac and affiliates:** | | | | |
| Operating expense (10) | 13.6 | 9.8 | 27.0 | 17.2 |
| General and administrative (11) | 0.5 | 0.8 | 1.6 | 1.3 |
| Related party costs and expenses | $ 97.5 | $ 79.4 | $ 176.3 | $ 141.1 |

(1) Includes sales from Lubrication Services, LLC (“LSI”) to Enterprise Products Partners and certain of its subsidiaries.

(2) Includes revenues from NGL transportation on the Chaparral Pipeline Company, LLC and Quanah Pipeline Company, LLC (collectively referred to as “Chaparral” or “Chaparral NGL system”) and Panola Pipeline Company, LLC (“Panola Pipeline”) NGL pipelines from Enterprise Products Partners and certain of its subsidiaries.

(3) Includes revenues from LPG transportation on the TE Products pipeline from Enterprise Products Partners and certain of its subsidiaries.

(4) Includes sales of product inventory from TE Products to Enterprise Products Partners and other operating revenues on the TE Products pipeline from Enterprise Products Partners and certain of its subsidiaries.

(5) Includes TEPPCO Crude Oil, LLC (“TCO”) purchases of petroleum products of $35.2 million and $25.9 million for the three months ended June 30, 2009 and 2008, respectively, from Enterprise Products Partners and certain of its subsidiaries and Energy Transfer Equity, L.P. and certain of its subsidiaries. For the six months ended June 30, 2009 and 2008, such amounts were $55.8 million and $41.5 million, respectively.

(6) Includes operating payroll, payroll related expenses and other operating expenses, including reimbursements related to employee benefits and employee benefit plans, incurred by EPCO in managing us and our subsidiaries in accordance with the ASA and expenses related to Chaparral’s use of transportation services of a subsidiary of Enterprise Products Partners. Also includes insurance expense for the three months ended June 30, 2009 and 2008, of $1.9 million and $2.2 million, respectively, related to premiums paid by EPCO on our behalf. For the six months ended June 30, 2009 and 2008, such amounts were $5.1 million and $5.2 million, respectively. The majority of our insurance coverage, including property, liability, business interruption, auto and directors’ and officers’ liability insurance, is obtained through EPCO.

(7) Includes administrative payroll, payroll related expenses and other administrative expenses, including reimbursements related to employee benefits and employee benefit plans, incurred by EPCO in managing and operating us and our subsidiaries in accordance with the ASA.

(8) Includes TCO purchases of petroleum products from Jonah and Seaway and pipeline transportation expense from Seaway.

(9) Includes rental expense and other operating expense.

(10) Includes reimbursement for operating payroll, payroll related expenses, certain repairs and maintenance expenses and insurance premiums on our equipment under the transitional operating agreement with Cenac Towing Co., Inc., Cenac Offshore, L.L.C. and Mr. Arlen B. Cenac, Jr. (collectively, "Cenac") pursuant to which, our fleet of acquired tow boats and tank barges (including those acquired from Horizon Maritime, L.L.C. (“Horizon”) and TransMontaigne) are operated by employees of Cenac for a period of up to two years following the Cenac acquisition. See Note 18 for information regarding the termination of the transitional operating agreement.

(11) I ncludes reimbursement for administrative payroll and payroll related expenses, as well as payment of a $42 thousand monthly service fee and a 5% overhead fee charged on direct costs incurred by Cenac to operate the marine assets in accordance with the transitional operating agreement.

The following table summarizes our related party receivable and payable amounts at the dates indicated:

| | June 30, 2009 | December 31, 2008 |
|---|---|---|
| Accounts receivable, related parties (1) | $ 10.7 | $ 15.8 |
| Accounts payable, related parties (2) | 40.9 | 17.2 |

(1) Relates to sales and transportation services provided to Enterprise Products Partners and certain of its subsidiaries and EPCO and certain of its affiliates and direct payroll, payroll related costs and other operational expenses charged to unconsolidated affiliates.

(2) Relates to direct payroll, payroll related costs and other operational related charges from Enterprise Products Partners and certain of its subsidiaries and EPCO and certain of its affiliates, transportation and other services provided by unconsolidated affiliates, advances from Seaway for operating expenses and $3.0 million related to operational related charges from Cenac.

As an affiliate of EPCO and other companies controlled by Mr. Duncan, our transactions and agreements with them are not necessarily on an arm’s length basis. As a result, we cannot provide assurance that the terms and provisions of such transactions or agreements are at least as favorable to us as we could have obtained from unaffiliated third parties.

***Relationship with EPCO and affiliates***

We have an extensive and ongoing relationship with EPCO and its affiliates, which include the following significant entities that are not a part of our consolidated group of companies:

§ EPCO and its privately-held affiliates;
§ Texas Eastern Products Pipeline Company, LLC, our General Partner;
§ Enterprise GP Holdings, which owns and controls our General Partner;
§ Enterprise Products Partners, which is controlled by affiliates of EPCO, including Enterprise GP Holdings;
§ Duncan Energy Partners, which is controlled by affiliates of EPCO;
§ Enterprise Gas Processing LLC, which is controlled by affiliates of EPCO and is our joint venture partner in Jonah; and
§ the Employee Partnerships, which are controlled by EPCO (see Note 3).

See Note 18 for a subsequent event regarding a loan agreement we entered into with Enterprise Products Partners.

Dan L. Duncan directly owns and controls EPCO and, through Dan Duncan LLC, owns and controls EPE Holdings, LLC, the general partner of Enterprise GP Holdings. Enterprise GP Holdings owns all of the membership interests of our General Partner. The principal business activity of our General Partner is to act as our managing partner. The executive officers of our General Partner are employees of EPCO (see Note 1).

We and our General Partner are both separate legal entities apart from each other and apart from EPCO and its other affiliates, with assets and liabilities that are separate from those of EPCO and its other affiliates. EPCO and its consolidated privately-held affiliates depend on the cash distributions they receive from our General Partner and other investments to fund their operations and to meet their debt obligations. We paid cash distributions to our General Partner of $31.0 million and $25.9 million during the six months ended June 30, 2009 and 2008, respectively.

The limited partner interests in us that are owned or controlled by EPCO and certain of its affiliates, other than those interests owned by Dan Duncan LLC and certain trusts affiliated with Dan L. Duncan, are pledged as security under the credit facility of a privately-held affiliate of EPCO. All of the membership interests in our General Partner and the limited partner interests in us that are owned or

controlled by Enterprise GP Holdings are pledged as security under its credit facility. If Enterprise GP Holdings were to default under its credit facility, its lender banks could own our General Partner.

In August 2008, we, together with Enterprise Products Partners and Oiltanking, announced the formation of TOPS. On April 16, 2009, we, along with a subsidiary of Enterprise Products Partners, dissociated ourselves from TOPS (see Note 7).

*EPCO ASA*. We have no employees. We are managed by our General Partner, and all of our management, administrative and operating functions are performed by employees of EPCO, pursuant to the ASA or by other service providers. We, Enterprise Products Partners, Duncan Energy Partners, Enterprise GP Holdings and our respective general partners are among the parties to the ASA. The Audit, Conflicts and Governance Committee ("ACG Committee") of each general partner has approved the ASA.

Under the ASA, we reimburse EPCO for all costs and expenses it incurs in providing management, administrative and operating services for us, including compensation of employees (i.e., salaries, medical benefits and retirement benefits) (see Note 1). Since the vast majority of such expenses are charged to us on an actual basis (i.e., no mark-up or subsidy is charged or received by EPCO), we believe that such expenses are representative of what the amounts would have been on a standalone basis. With respect to allocated costs, we believe that the proportional direct allocation method employed by EPCO is reasonable and reflective of the estimated level of costs we would have incurred on a standalone basis.

On January 30, 2009, we entered into the Fifth Amended and Restated ASA, which amended the previous ASA to provide for the cash reimbursement to EPCO by us of distributions of cash or securities, if any, made by TEPPCO Unit II to its Class B limited partner, Mr. Jerry Thompson, our chief executive officer and an employee of EPCO. The Fifth Amended and Restated ASA also extends the term of EPCO's service obligations from December 2010 to December 2013.

*Proposed Merger with Enterprise Products Partners*. On June 28, 2009, we and our General Partner entered into definitive merger agreements with Enterprise Products Partners, EPGP, and two of its subsidiaries. Under the terms of the definitive agreements, we and our General Partner would become wholly owned subsidiaries of Enterprise Products Partners, and each of our outstanding Units, other than 3,645,509 of our Units owned by a privately-held affiliate of EPCO, would be cancelled and converted into the right to receive 1.24 Enterprise Products Partners common units. The 3,645,509 Units owned by a privately-held affiliate of EPCO would be converted, based on the 1.24 exchange ratio, into the right to receive 4,520,431 of Enterprise Products Partners Class B units ("Class B Units"). The Class B Units would not be entitled to regular quarterly cash distributions of Enterprise Products Partners for sixteen quarters following the closing of the merger and, except for the payment of distributions, would have the same rights and privileges as Enterprise Products Partners common units. The Class B Units would convert automatically into the same number of Enterprise Products Partners common units on the date immediately following the payment date for the sixteenth quarterly distribution following the closing of the merger. No fractional Enterprise Products Partners common units would be issued in the proposed merger, and our unitholders would, instead, receive cash in lieu of fractional Enterprise Products Partners common units, if any.

Under the terms of the definitive agreements, Enterprise GP Holdings would receive 1,331,681 common units of Enterprise Products Partners and an increase in the capital account of EPGP to maintain its 2% general partner interest in Enterprise Products Partners as consideration for 100% of the membership interests of our General Partner.

A Special Committee of the ACG Committee of our General Partner unanimously determined that the merger is fair and reasonable to us and our unaffiliated unitholders and recommended that the merger be approved by our unaffiliated unitholders, the ACG Committee of our General Partner and our General

Partner's board of directors. Based upon such determination and recommendation, the ACG Committee of our General Partner unanimously determined that the merger is fair and reasonable to us and our unaffiliated unitholders and approved the merger, such approval constituting "Special Approval" under our Partnership Agreement. The ACG Committee of our General Partner also recommended that our General Partner's board of directors approve the merger. Based on the Special Committee's determination and recommendation, as well as the ACG Committee's determination, Special Approval and recommendation, our General Partner's board of directors unanimously approved the merger and recommended that our unaffiliated unitholders vote in favor of the merger proposal. In addition, the ACG Committee of the general partner of each of Enterprise Products Partners and Enterprise GP Holdings also approved the transaction.

Completion of the proposed merger is subject to the approval of holders of at least a majority of our outstanding Units. In addition, pursuant to the merger agreement providing for the merger of our Partnership, the number of votes cast in favor of the merger agreement by our unitholders (excluding certain unitholders affiliated with EPCO and other specified officers and directors of our General Partner, Enterprise GP Holdings and Enterprise Products Partners) must exceed the votes cast against the merger agreement by such unitholders. Affiliates of EPCO, including Enterprise GP Holdings, have executed a support agreement with Enterprise Products Partners in which they have agreed to vote their Units in favor of the merger agreement. The closing is also subject to customary regulatory approvals, including that under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. Subject to the receipt of regulatory and unitholder approvals, completion of the proposed merger is expected to occur during the fourth quarter of 2009. See Note 15 for information regarding litigation matters associated with the proposed merger.

The merger agreement providing for the merger of our Partnership contains provisions granting both us and Enterprise Products Partners the right to terminate the agreement for certain reasons, including, among others, (i) if our merger into its subsidiary has not occurred on or before December 31, 2009, and (ii) our failure to obtain unitholder approval as described above.

We incurred $6.8 million of merger-related expenses during the second quarter of 2009 that are reflected as a component of general and administrative costs.

*Jonah Joint Venture*. Enterprise Products Partners (through an affiliate) is our joint venture partner in Jonah, the partnership through which we have owned our interest in the system serving the Jonah and Pinedale fields. Through June 30, 2009, we have reimbursed Enterprise Products Partners $308.3 million ($1.8 million in 2009, $44.9 million in 2008, $152.2 million in 2007 and $109.4 million in 2006) for our share of the Phase V cost incurred by it (including its cost of capital incurred prior to the formation of the joint venture of $1.3 million). At June 30, 2009 and December 31, 2008, we had payables to Enterprise Products Partners for costs incurred of less than $0.1 million and $1.0 million, respectively. At June 30, 2009 and December 31, 2008, we had receivables from Jonah of $9.2 million and $4.7 million, respectively, for operating expenses. During the six months ended June 30, 2009 and 2008, we received distributions from Jonah of $76.0 million and $75.9 million, respectively. During each of the six months ended June 30, 2009 and 2008, Jonah paid distributions of $18.2 million to the affiliate of Enterprise Products Partners that is our joint venture partner.

*Ownership of our General Partner by Enterprise GP Holdings; Relationship with Energy Transfer Equity*. Enterprise GP Holdings owns and controls the 2% general partner interest in us and has the right (through its 100% ownership of our General Partner) to receive the incentive distribution rights associated with the general partner interest. Enterprise GP Holdings, DFIGP and other entities controlled by Mr. Duncan own 17,073,315 of our Units.

Enterprise GP Holdings acquired equity method investments in Energy Transfer Equity, L.P. ("Energy Transfer Equity") and its general partner in May 2007. As a result, Energy Transfer Equity and its consolidated subsidiaries became related parties to us.

***Relationship with Unconsolidated Affiliates***

Our significant related party revenues and expense transactions with unconsolidated affiliates consist of management, rental and other revenues, transportation expense related to movements on Centennial and Seaway and rental expense related to the lease of pipeline capacity on Centennial. For additional information regarding our unconsolidated affiliates, see Note 7.

See "Jonah Joint Venture" within this Note 13 for a description of ongoing transactions involving our Jonah joint venture with Enterprise Products Partners.

## Note 14. Earnings Per Unit

The following table presents the net income available to our General Partner for the periods indicated for purposes of calculating earnings per Unit:

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Net income attributable to TEPPCO Partners, L.P. | $ 11.2 | $ 47.7 | $ 89.4 | $ 111.8 |
| Distributions Declared During Quarter: | | | | |
| Distributions to General Partner (including incentive distributions) | $ 15.6 | $ 13.5 | $ 31.0 | $ 27.1 |
| Distributions to limited partners | 76.0 | 67.5 | 152.0 | 134.8 |
| Total distributions declared during quarter | $ 91.6 | $ 81.0 | $ 183.0 | $ 161.9 |
| Excess of distributions over net income | $ (80.4) | $ (33.3) | $ (93.6) | $ (50.1) |
| General Partner's interest in net income | 16.93% | 16.74% | 16.93% | 16.74% |
| Earnings allocation adjustment to General Partner under EITF 07-4 (1) | $ (13.7) | $ (5.5) | $ (15.9) | $ (8.4) |
| Distributions to General Partner (including incentive distributions) | $ 15.6 | $ 13.5 | $ 31.0 | $ 27.1 |
| Earnings allocation adjustment to General Partner under EITF 07-4 | (13.7) | (5.5) | (15.9) | (8.4) |
| Net income available to our General Partner | $ 1.9 | $ 8.0 | $ 15.1 | $ 18.7 |

(1) For purposes of computing basic and diluted earnings per Unit, we apply the provisions of EITF 07-4 (ASC 260), *Application of the Two-Class Method under FASB Statement No. 128 to Master Limited Partnerships*. Our earnings are allocated on a basis consistent with distributions declared during the quarter (see Note 11).

The following table presents our calculation of basic and diluted earnings per Unit for the periods indicated:

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| **BASIC EARNINGS PER UNIT:** | | | | |
| **Numerator:** | | | | |
| Limited partners' interest in net income | $ 9.3 | $ 39.7 | $ 74.3 | $ 93.1 |
| **Denominator:** | | | | |
| Weighted-average Units | 104.7 | 94.8 | 104.6 | 94.0 |
| Weighted-average time-vested restricted units | 0.2 | 0.1 | 0.2 | -- |
| Total | 104.9 | 94.9 | 104.8 | 94.0 |
| **Basic earnings per Unit:** | | | | |
| Net income attributable to TEPPCO Partners, L.P. | $ 0.11 | $ 0.50 | $ 0.85 | $ 1.19 |
| General Partner's interest in net income | (0.02) | (0.08) | (0.14) | (0.20) |
| Limited partners' interest in net income | $ 0.09 | $ 0.42 | $ 0.71 | $ 0.99 |
| **DILUTED EARNINGS PER UNIT:** | | | | |
| **Numerator:** | | | | |
| Limited partners' interest in net income | $ 9.3 | $ 39.7 | $ 74.3 | $ 93.1 |
| **Denominator:** | | | | |
| Weighted-average Units | 104.7 | 94.8 | 104.6 | 94.0 |
| Weighted-average time-vested restricted units | 0.2 | 0.1 | 0.2 | -- |
| Weighted-average incremental option units | * | -- | * | * |
| Total | 104.9 | 94.9 | 104.8 | 94.0 |
| **Diluted earnings per Unit:** | | | | |
| Net income attributable to TEPPCO Partners, L.P. | $ 0.11 | $ 0.50 | $ 0.85 | $ 1.19 |
| General Partner's interest in net income | (0.02) | (0.08) | (0.14) | (0.20) |
| Limited partners' interest in net income | $ 0.09 | $ 0.42 | $ 0.71 | $ 0.99 |

*Amount is negligible.

Our General Partner's percentage interest in our net income increases as cash distributions paid per Unit increase, in accordance with our Partnership Agreement. At June 30, 2009 and 2008, we had outstanding 104,943,004 and 95,022,897 Units, respectively.

**Note 15. Commitments and Contingencies**

***Litigation***

In 1991, we were named as a defendant in a matter styled *Jimmy R. Green, et al. v. Cities Service Refinery, et al*. as filed in the 26th Judicial District Court of Bossier Parish, Louisiana. The plaintiffs in this matter reside or formerly resided on land that was once the site of a refinery owned by one of our co-defendants. The former refinery is located near our Bossier City facility. Plaintiffs have claimed personal injuries and property damage arising from alleged contamination of the refinery property. The plaintiffs have pursued certification as a class and their last demand had been approximately $175.0 million. Following a hearing, the trial court ruled that the prerequisites for certifying a class do not exist. We expect that a final order dismissing the matter is forthcoming. Accordingly, 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 October 2005, Williams Gas Processing, n/k/a Williams Field Services Company, LLC ("Williams") notified Jonah that the gas delivered to Williams' Opal Gas Processing Plant ("Opal Plant") allegedly failed to conform to quality specifications of the Interconnect and Operator Balancing Agreement ("Interconnect Agreement") which has allegedly caused damages to the Opal Plant in excess of $28.0 million. On July 24, 2007, Jonah filed suit against Williams in Harris County, Texas seeking a declaratory order that Jonah was not liable to Williams. In addition, on August 24, 2007, Williams filed a complaint in

the 3rd Judicial District Court of Lincoln County, Wyoming alleging that Jonah was delivering non-conforming gas from its gathering customers in the Jonah system to the Opal Plant, in violation of the Interconnect Agreement. Jonah denies any liability to Williams. Discovery is ongoing.

On September 18, 2006, Peter Brinckerhoff, a purported unitholder of TEPPCO, filed a complaint in the Court of Chancery of the State of Delaware (the "Delaware Court"), in his individual capacity, as a putative class action on behalf of our other unitholders, and derivatively on our behalf, concerning proposals made to our unitholders in our definitive proxy statement filed with the SEC on September 11, 2006 ("Proxy Statement") and other transactions involving us and Enterprise Products Partners or its affiliates. Mr. Brinckerhoff filed an amended complaint on July 12, 2007. The amended complaint names as defendants the General Partner; the board of directors of our General Partner; EPCO; Enterprise Products Partners and certain of its affiliates and Dan L. Duncan. We are named as a nominal defendant.

The amended complaint alleges, among other things, that certain of the transactions adopted at a special meeting of our unitholders on December 8, 2006, including a reduction of the General Partner's maximum percentage interest in our distributions in exchange for Units (the "Issuance Proposal"), were unfair to our unitholders and constituted a breach by the defendants of fiduciary duties owed to our unitholders and that the Proxy Statement failed to provide our unitholders with all material facts necessary for them to make an informed decision whether to vote in favor of or against the proposals. The amended complaint further alleges that, since Mr. Duncan acquired control of the General Partner in 2005, the defendants, in breach of their fiduciary duties to us and our unitholders, have caused us to enter into certain transactions with Enterprise Products Partners or its affiliates that were unfair to us or otherwise unfairly favored Enterprise Products Partners or its affiliates over us. The amended complaint alleges that such transactions include the Jonah joint venture entered into by us and an Enterprise Products Partners' affiliate in August 2006 (citing the fact that our ACG Committee did not obtain a fairness opinion from an independent investment banking firm in approving the transaction and alleging we did not receive fair value for Enterprise Products Partners' participation in the joint venture), and the sale by us to an Enterprise Products Partners' affiliate of the Pioneer plant in March 2006 (alleging that the purchase price did not provide fair value for the purchased assets to us). As more fully described in the Proxy Statement, the ACG Committee recommended the Issuance Proposal for approval by the board of directors of the General Partner. The amended complaint also alleges that Richard S. Snell, Michael B. Bracy and Murray H. Hutchison, constituting the three members of the ACG Committee at the time, cannot be considered independent because of their alleged ownership of securities in Enterprise Products Partners and its affiliates and/or their relationships with Mr. Duncan.

The amended complaint seeks relief (i) awarding damages for profits and special benefits allegedly obtained by defendants as a result of the alleged wrongdoings in the complaint; (ii) rescinding all actions taken pursuant to the Proxy vote; and (iii) awarding plaintiff costs of the action, including fees and expenses of his attorneys and experts. By its Opinion and Order dated November 25, 2008, the Delaware Court dismissed Mr. Brinckerhoff's individual and putative class action claims with respect to the amendments to our Partnership Agreement. We refer to this action and the remaining claims in this action as the "Derivative Action."

On April 29, 2009, Peter Brinckerhoff and Renee Horowitz, as Attorney in Fact for Rae Kenrow, purported unitholders of TEPPCO, filed separate complaints in the Delaware Court as putative class actions on behalf of our other unitholders, concerning the proposed merger of us and our General Partner with Enterprise Products Partners (see Note 13). On May 11, 2009, these actions were consolidated under the caption *Texas Eastern Products Pipeline Company, LLC Merger Litigation*, C.A. No. 4548-VCL ("Merger Action"). The complaints name as defendants our General Partner; Enterprise Products Partners and its general partner; EPCO; Dan L. Duncan; and each of the directors of our General Partner.

The Merger Action complaints allege, among other things, that the terms of the merger (as proposed as of the time the Merger Action complaints were filed) are grossly unfair to our unitholders, that Mr. Duncan and other defendants who control us have acted to drive down the price of our Units and that the proposed merger is an attempt to extinguish the Derivative Action without consideration and without

adequate information having been provided to our unitholders to cast a vote with respect to the proposed merger. The complaints further allege that the process through which the Special Committee of our ACG Committee was appointed to consider the proposed merger is contrary to the spirit and intent of our Partnership Agreement and constitutes a breach of the implied covenant of fair dealing.

The complaints seek relief (i) enjoining the defendants and all persons acting in concert with them from pursuing the proposed merger; (ii) rescinding the proposed merger to the extent it is consummated, or awarding rescissory damages in respect thereof; (iii) directing the defendants to account for all damages suffered or to be suffered by the plaintiffs and the purposed class as a result of the defendants' alleged wrongful conduct; and (iv) awarding plaintiffs' costs of the actions, including fees and expenses of their attorneys and experts.

On June 28, 2009, the parties entered into a Memorandum of Understanding pursuant to which we, our General Partner, Enterprise Products Partners, EPCO, all other individual defendants and the plaintiffs have proposed to settle the Merger Action and the Derivative Action. On August 5, 2009, the parties entered into a Stipulation and Agreement of Compromise, Settlement and Release (the "Settlement Agreement") contemplated by the Memorandum of Understanding. Pursuant to the Settlement Agreement, the board of directors of our General Partner will recommend to our unitholders that they approve the adoption of the merger agreement and take all necessary steps to seek unitholder approval for the merger as soon as practicable. Pursuant to the Settlement Agreement, approval of the merger will require, in addition to votes required under our Partnership Agreement, that the actual votes cast in favor of the proposal by holders of our outstanding Units, excluding those held by defendants to the Derivative Action, exceed the actual votes cast against the proposal by those holders. The Settlement Agreement further provides that the Derivative Action was considered by the Special Committee to be a significant benefit of ours for which fair value was obtained in the merger consideration.

The Settlement Agreement is subject to customary conditions, including Delaware Court approval. There can be no assurance that the Delaware Court will approve the settlement in the Settlement Agreement. In such event, the proposed settlement as contemplated by the Settlement Agreement may be terminated. Among other things, the plaintiffs' agreement to settle the Derivative Action and Merger Action litigation, including their agreement to the fairness of the proposed terms and process of the merger negotiations is subject to (i) the drafting and execution of other such documentation as may be required to obtain final Delaware Court approval and dismissal of the actions, (ii) Delaware Court approval and the mailing of the notice of settlement which sets forth the terms of settlement to our unitholders, (iii) consummation of the proposed merger and (iv) final Delaware Court certification and approval of the settlement and dismissal of the actions. See Note 13 for additional information regarding our relationship with Enterprise Products Partners, including information related to the proposed merger.

Additionally, on June 29 and 30, 2009, respectively, M. Lee Arnold and Sharon Olesky, purported unitholders of TEPPCO, filed separate complaints in the District Courts of Harris County, Texas, as putative class actions on behalf of our other unitholders, concerning the proposed merger of us with Enterprise Products Partners. The complaints name as defendants us; our General Partner; Enterprise Products Partners and its general partner; EPCO; Dan L. Duncan; Jerry Thompson; and the board of directors of our General Partner. These allegations in the complaints are similar to the complaints filed in Delaware on April 29, 2009 and seek similar relief.

In connection with the dissociation of Enterprise Products Partners and us from TOPS (see Note 7), Oiltanking has filed an original petition against Enterprise Offshore Port System, LLC, Enterprise Products Operating, LLC, TEPPCO O/S Port System, LLC, us and our General Partner in the District Court of Harris County, Texas, 61st Judicial District (Cause No. 2009-31367), asserting, among other things, that the dissociation was wrongful and in breach of the TOPS partnership agreement, citing provisions of the agreement that, if applicable, would continue to obligate us and Enterprise Products Partners to make capital contributions to fund the project and impose liabilities on us and Enterprise Products Partners.

Since we believe that our actions in dissociating from TOPS are expressly permitted by, and in accordance with, the terms of the TOPS partnership agreement, we intend to vigorously defend such actions. We have not recorded any reserves for potential liabilities relating to this litigation, although we may determine in future periods that an accrual of reserves for potential liabilities (including costs of litigation) should be made. If these payments are substantial, we could experience a material adverse impact on our results of operations and our liquidity.

In addition to the proceedings 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 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.

We evaluate our ongoing litigation based upon a combination of litigation and settlement alternatives. These reviews are updated as the facts and combinations of the cases develop or change. Assessing and predicting the outcome of these matters involves substantial uncertainties. In the event that the assumptions we used to evaluate these matters change in future periods or new information becomes available, we may be required to record a liability for an adverse outcome. In an effort to mitigate potential adverse consequences of litigation, we could also seek to settle legal proceedings brought against us. We have not recorded any significant reserves for any litigation in our financial statements.

***Regulatory Matters***

Our pipelines and other facilities are subject to multiple environmental obligations and potential liabilities under a variety of federal, state and local laws and regulations. These include, without limitation: the Comprehensive Environmental Response, Compensation, and Liability Act; the Resource Conservation and Recovery Act; the Clean Air Act; the Federal Water Pollution Control Act or the Clean Water Act; the Oil Pollution Act; and analogous state and local laws and regulations. Such laws and regulations affect many aspects of our present and future operations, and generally require us to obtain and comply with a wide variety of environmental registrations, licenses, permits, inspections and other approvals, with respect to air emissions, water quality, wastewater discharges, and solid and hazardous waste management. Failure to comply with these requirements may expose us to fines, penalties and/or interruptions in our operations that could influence our results of operations. If an accidental leak, spill or release of hazardous substances occurs at any facilities that we own, operate or otherwise use, or where we send materials for treatment or disposal, we could be held jointly and severally liable for all resulting liabilities, including investigation, remedial and clean-up costs. Likewise, we could be required to remove or remediate previously disposed wastes or property contamination, including groundwater contamination. Any or all of this could materially affect our results of operations and cash flows.

We believe that our operations and facilities are in substantial compliance with applicable environmental laws and regulations, and that the cost of compliance with such laws and regulations will not have a material adverse effect on our results of operations or financial position. We cannot ensure, however, that existing environmental regulations will not be revised or that new regulations will not be adopted or become applicable to us. The clear trend in environmental regulation is to place more restrictions and limitations on activities that may be perceived to affect the environment; and thus there can be no assurance as to the amount or timing of future expenditures for environmental regulation compliance or remediation, and actual future expenditures may be different from the amounts we currently anticipate. Revised or additional regulations that result in increased compliance costs or additional operating restrictions, particularly if those costs are not fully recoverable from our customers, could have a material adverse effect on our business, financial position, results of operations and cash flows. At June 30, 2009 and December 31, 2008, our accrued liabilities for environmental remediation projects totaled $6.2 million and $6.9 million, respectively.

In 1999, our Arcadia, Louisiana facility and adjacent terminals were directed by the Remediation Services Division of the Louisiana Department of Environmental Quality ("LDEQ") to pursue remediation of environmental contamination. Effective March 2004, we executed an access agreement with an adjacent industrial landowner who is located upgradient of the Arcadia facility. This agreement enables the landowner to proceed with remediation activities at our Arcadia facility for which it has accepted shared responsibility. At June 30, 2009, we have an accrued liability of $0.5 million for remediation costs at our Arcadia facility. We do not expect that the completion of the remediation program proposed to the LDEQ will have a future material adverse effect on our financial position, results of operations or cash flows.

We received a notice of probable violation from the U.S. Department of Transportation on April 25, 2005 for alleged violations of pipeline safety regulations at our Todhunter facility, with a proposed $0.4 million civil penalty. We responded on June 30, 2005 by admitting certain of the alleged violations, contesting others and requesting a reduction in the proposed civil penalty. In June 2009, we paid $0.4 million to the U.S. Department of Transportation in settlement of the matter. This settlement did not have a material adverse effect on our financial position, results of operations or cash flows.

The Federal Energy Regulatory Commission ("FERC"), pursuant to the Interstate Commerce Act of 1887, as amended, the Energy Policy Act of 1992 and rules and orders promulgated thereunder, regulates the tariff rates for our interstate common carrier pipeline operations. To be lawful under that Act, interstate tariff rates, terms and conditions of service must be just and reasonable and not unduly discriminatory, and must be on file with FERC. In addition, pipelines may not confer any undue preference upon any shipper. Shippers may protest, and the FERC may investigate, the lawfulness of new or changed tariff rates. The FERC can suspend those tariff rates for up to seven months. It can also require refunds of amounts collected with interest pursuant to rates that are ultimately found to be unlawful. The FERC and interested parties can also challenge tariff rates that have become final and effective. Because of the complexity of rate making, the lawfulness of any rate is never assured. A successful challenge of our rates could adversely affect our revenues.

The FERC uses prescribed rate methodologies for approving regulated tariff rates for transporting crude oil and refined products. Our interstate tariff rates are either market-based or derived in accordance with the FERC's indexing methodology, which currently allows a pipeline to increase its rates by a percentage linked to the producer price index for finished goods. These methodologies may limit our ability to set rates based on our actual costs or may delay the use of rates reflecting increased costs. Changes in the FERC's approved methodology for approving rates could adversely affect us. Adverse decisions by the FERC in approving our regulated rates could adversely affect our cash flow.

The intrastate liquids pipeline transportation and gas gathering services we provide are subject to various state laws and regulations that apply to the rates we charge and the terms and conditions of the services we offer. Although state regulation typically is less onerous than FERC regulation, the rates we charge and the provision of our services may be subject to challenge.

Although our natural gas gathering systems are generally exempt from FERC regulation under the Natural Gas Act of 1938, FERC regulation still significantly affects our natural gas gathering business. Our natural gas gathering operations could be adversely affected in the future should they become subject to the application of federal regulation of rates and services or if the states in which we operate adopt policies imposing more onerous regulation on gathering. Additional rules and legislation pertaining to these matters are considered and adopted from time to time at both state and federal levels. We cannot predict what effect, if any, such regulatory changes and legislation might have on our operations or revenues.

Recent scientific studies have suggested that emissions of certain gases, commonly referred to as "greenhouse gases" or "GHGs" and including carbon dioxide and methane, may be contributing to climate change. On April 17, 2009, the U.S. Environmental Protection Agency ("EPA") issued a notice of its

proposed finding and determination that emission of carbon dioxide, methane, and other GHGs present an endangerment to human health and the environment because emissions of such gases are, according to the EPA, contributing to warming of the earth's atmosphere. The EPA's finding and determination would allow it to begin regulating emissions of GHGs under existing provisions of the federal Clean Air Act. Although it may take the EPA several years to adopt and impose regulations limiting emissions of GHGs, any such regulation could require us to incur costs to reduce emissions of GHGs associated with our operations. In addition, on June 26, 2009, the U.S. House of Representatives approved adoption of the "American Clean Energy and Security Act of 2009," also known as the "Waxman-Markey cap-and-trade legislation" or "ACESA." ACESA would establish an economy-wide cap on emissions of GHGs in the United States and would require most sources of GHG emissions to obtain GHG emission "allowances" corresponding to their annual emissions of GHGs. The U.S. Senate has also begun work on its own legislation for controlling and reducing emissions of GHGs in the United States. Any laws or regulations that may be adopted to restrict or reduce emissions of GHGs would likely require us to incur increased operating costs, and may have an adverse effect on our business, financial position, demand for our products, results of operations and cash flows.

***Contractual Obligations***

Scheduled maturities of long-term debt. With the exception of routine fluctuations in the balance of our Revolving Credit Facility, there have been no material changes in our scheduled maturities of long-term debt since those reported in our Annual Report on Form 10-K for the year ended December 31, 2008.

Operating lease obligations. Lease and rental expense was $4.6 million and $5.1 million during the three months ended June 30, 2009 and 2008, respectively. For the six months ended June 30, 2009 and 2008, lease and rental expense was $9.1 million and $10.3 million, respectively. There have been no material changes in our operating lease commitments since December 31, 2008.

Purchase obligations. Apart from that discussed below, there have been no material changes in our purchase obligations since December 31, 2008.

Due to our dissociation from TOPS, our capital expenditure commitments decreased by an estimated $68.0 million. See Note 7 for additional information regarding our dissociation from TOPS.

***Other***

Guarantees. At June 30, 2009 and December 31, 2008, Centennial's debt obligations consisted of $124.8 million and $129.9 million, respectively, borrowed under a master shelf loan agreement. We, TE Products, TEPPCO Midstream and TCTM (collectively, the "TEPPCO Guarantors") are required, on a joint and several basis, to pay 50% of any past-due amount under Centennial's master shelf loan agreement not paid by Centennial. We may be required to provide additional credit support in the form of a letter of credit or pay certain fees if either of our credit ratings from Standard & Poor's Ratings Group and Moody's Investors Service, Inc. falls below investment grade levels. If Centennial defaults on its debt obligations, the estimated maximum potential amount of future payments for the TEPPCO Guarantors and Marathon Petroleum Company LLC ("Marathon") is $62.4 million each at June 30, 2009. At June 30, 2009, we have a liability of $8.7 million, which is based upon the expected present value of amounts we would have to pay under the guarantee.

TE Products, Marathon and Centennial have also entered into a limited cash call agreement, which allows each member to contribute cash in lieu of Centennial procuring separate insurance in the event of a third-party liability arising from a catastrophic event. There is an indefinite term for the agreement and each member is to contribute cash in proportion to its ownership interest, up to a maximum of $50.0 million each. As a result of the catastrophic event guarantee, at June 30, 2009, TE Products has a liability of $3.7 million, which is based upon the expected present value of amounts we would have to pay under the

guarantee. If a catastrophic event were to occur and we were required to contribute cash to Centennial, such contributions might be covered by our insurance (net of deductible), depending upon the nature of the catastrophic event.

*Motiva Project*. In December 2006, we signed an agreement with Motiva Enterprises, LLC ("Motiva") for us to construct and operate a new refined products storage facility to support the expansion of Motiva's refinery in Port Arthur, Texas. Under the terms of the agreement, we are constructing a 5.4 million barrel refined products storage facility for gasoline and distillates. The agreement also provides for a 15-year throughput and dedication of volume, which will commence upon completion of the refinery expansion or July 1, 2010, whichever comes first. Through June 30, 2009, we have spent approximately $245.6 million on this construction project. Under the terms of the agreement, if Motiva cancels the agreement prior to the commencement date of the project, Motiva will reimburse us the actual reasonable expenses we have incurred after the effective date of the agreement, including both internal and external costs that would be capitalized as a part of the project, plus a ten percent cancellation fee.

*TOPS*. We, through a subsidiary, owned a one-third interest in TOPS until April 16, 2009. We had guaranteed up to approximately $700.0 million of the project costs to be incurred by this partnership. Upon our dissociation (see Note 7), our obligations under this commitment terminated.

***Insurance Matters***

EPCO completed its annual insurance renewal process during the second quarter of 2009. In light of recent hurricane and other weather-related events, the renewal of policies for weather-related risks resulted in significant increases in premiums and certain deductibles, as well as changes in the scope of coverage.

EPCO's deductible for onshore physical damage from windstorms increased from $10.0 million per storm to $25.0 million per storm. EPCO's onshore program currently provides $150.0 million per occurrence for named windstorm events compared to $175.0 million per occurrence in the prior year. For non-windstorm events, EPCO's deductible for onshore physical damage remained at $5.0 million per occurrence. Business interruption coverage in connection with a windstorm event remained unchanged for onshore assets. Onshore assets covered by business interruption insurance must be out-of-service in excess of 60 days before any losses from business interruption will be covered. Furthermore, pursuant to the current policy, we will now absorb 50% of the first $50.0 million of any loss in excess of deductible amounts for our onshore assets. There were no changes to insurance coverage for our marine transportation assets.

**Note 16. Supplemental Cash Flow Information**

The following table provides information regarding (i) the net effect of changes in our operating assets and liabilities, (ii) non-cash investing and financing activities and (iii) cash payments for interest for the periods indicated:

| | For the Six Months Ended June 30, | |
|---|---|---|
| | 2009 | 2008 |
| Decrease (increase) in: | | |
| Accounts receivable, trade | $ (194.4) | $ (586.7) |
| Accounts receivable, related parties | 6.1 | (6.1) |
| Inventories | (42.8) | (43.7) |
| Other current assets | (3.2) | (9.9) |
| Other | (3.3) | (7.7) |
| Increase (decrease) in: | | |
| Accounts payable and accrued liabilities | 181.6 | 610.8 |
| Accounts payable, related parties | 23.8 | (12.1) |
| Other | 0.8 | (2.1) |
| Net effect of changes in operating accounts | $ (31.4) | $ (57.5) |
| | | |
| Non-cash investing activities: | | |
| Payable to Enterprise Gas Processing, LLC for spending for Phase V expansion of Jonah Gas Gathering Company | $ -- | $ 2.8 |
| Liabilities for construction work in progress | $ 10.7 | $ 22.5 |
| Non-cash financing activities: | | |
| Issuance of Units in Cenac acquisition | $ -- | $ 186.6 |
| Supplemental disclosure of cash flows: | | |
| Cash paid for interest (net of amounts capitalized) | $ 63.4 | $ 56.9 |

**Note 17. Supplemental Condensed Consolidating Financial Information**

The Guarantor Subsidiaries have issued full, unconditional, and joint and several guarantees of our senior notes, our Junior Subordinated Notes (collectively “the Guaranteed Debt”) and our Revolving Credit Facility.

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. Earnings of subsidiaries are therefore reflected in the Partnership’s and Guarantor Subsidiaries’ investment accounts and earnings. The elimination entries presented herein eliminate investments in subsidiaries and intercompany balances and transactions.

| | June 30, 2009 | | | | |
|---|---|---|---|---|---|
| | TEPPCO Partners, L.P. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | TEPPCO Partners, L.P. Consolidated |
| Assets | | | | | |
| Current assets | $ 15.8 | $ 79.6 | $ 1,357.9 | $ (323.5) | $ 1,129.8 |
| Property, plant and equipment – net | 14.0 | 1,378.2 | 1,199.4 | -- | 2,591.6 |
| Investments in unconsolidated affiliates | 8.7 | 1,007.3 | 182.9 | -- | 1,198.9 |
| Investments in consolidated affiliates | 1,592.5 | 430.6 | -- | (2,023.1) | -- |
| Goodwill | -- | -- | 106.6 | -- | 106.6 |
| Intercompany notes receivable | 2,843.9 | -- | -- | (2,843.9) | -- |
| Intangible assets | -- | 110.8 | 84.3 | -- | 195.1 |
| Other assets | 13.5 | 33.7 | 85.7 | -- | 132.9 |
| Total assets | $ 4,488.4 | $ 3,040.2 | $ 3,016.8 | $ (5,190.5) | $ 5,354.9 |
| Liabilities and partners' capital | | | | | |
| Current liabilities | $ 239.7 | $ 152.7 | $ 1,018.0 | $ (323.5) | $ 1,086.9 |
| Long-term debt | 2,733.8 | 1,552.7 | 1,291.2 | (2,843.9) | 2,733.8 |
| Intercompany notes payable | -- | -- | -- | -- | -- |
| Other long-term liabilities | 8.5 | 16.7 | 2.6 | -- | 27.8 |
| Total partners' capital | 1,506.4 | 1,318.1 | 705.0 | (2,023.1) | 1,506.4 |
| Total liabilities and partners' capital | $ 4,488.4 | $ 3,040.2 | $ 3,016.8 | $ (5,190.5) | $ 5,354.9 |

| | December 31, 2008 | | | | |
|---|---|---|---|---|---|
| | TEPPCO Partners, L.P. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | TEPPCO Partners, L.P. Consolidated |
| Assets | | | | | |
| Current assets | $ 23.1 | $ 145.2 | $ 1,148.0 | $ (408.7) | $ 907.6 |
| Property, plant and equipment – net | 13.5 | 1,294.8 | 1,131.6 | -- | 2,439.9 |
| Investments in unconsolidated affiliates | 9.0 | 1,020.9 | 226.0 | -- | 1,255.9 |
| Investments in consolidated affiliates | 1,686.0 | 399.0 | -- | (2,085.0) | -- |
| Goodwill | -- | -- | 106.6 | -- | 106.6 |
| Intercompany notes receivable | 2,628.3 | -- | -- | (2,628.3) | -- |
| Intangible assets | -- | 118.0 | 89.7 | -- | 207.7 |
| Other assets | 14.4 | 33.3 | 84.4 | -- | 132.1 |
| Total assets | $ 4,374.3 | $ 3,011.2 | $ 2,786.3 | $ (5,122.0) | $ 5,049.8 |
| Liabilities and partners' capital | | | | | |
| Current liabilities | $ 244.5 | $ 215.4 | $ 848.8 | $ (408.7) | $ 900.0 |
| Long-term debt | 2,529.6 | -- | -- | -- | 2,529.6 |
| Intercompany notes payable | -- | 1,424.3 | 1,204.0 | (2,628.3) | -- |
| Other long-term liabilities | 8.7 | 17.0 | 3.0 | -- | 28.7 |
| Total partners' capital | 1,591.5 | 1,354.5 | 730.5 | (2,085.0) | 1,591.5 |
| Total liabilities and partners' capital | $ 4,374.3 | $ 3,011.2 | $ 2,786.3 | $ (5,122.0) | $ 5,049.8 |

| | For the Three Months Ended June 30, 2009 | | | | |
|---|---|---|---|---|---|
| | TEPPCO Partners, L.P. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | TEPPCO Partners, L.P. Consolidated |
| Operating revenues | $ -- | $ 86.7 | $ 1,826.6 | $ (0.1) | $ 1,913.2 |
| Costs and expenses | -- | 78.1 | 1,779.7 | (0.5) | 1,857.3 |
| Operating income | -- | 8.6 | 46.9 | 0.4 | 55.9 |
| Interest expense | -- | (20.1) | (12.2) | -- | (32.3) |
| Equity in income (loss) of unconsolidated affiliates | 11.2 | 19.0 | (31.3) | (11.1) | (12.2) |
| Other, net | -- | 0.2 | 0.5 | -- | 0.7 |
| Income before provision for income taxes | 11.2 | 7.7 | 3.9 | (10.7) | 12.1 |
| Provision for income taxes | -- | (0.1) | (0.8) | -- | (0.9) |
| Net income | $ 11.2 | $ 7.6 | $ 3.1 | $ (10.7) | $ 11.2 |

| | For the Three Months Ended June 30, 2008 | | | | |
|---|---|---|---|---|---|
| | TEPPCO Partners, L.P. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | TEPPCO Partners, L.P. Consolidated |
| Operating revenues | $ -- | $ 88.3 | $ 4,092.3 | $ (0.1) | $ 4,180.5 |
| Costs and expenses | -- | 70.4 | 4,052.0 | (1.2) | 4,121.2 |
| Operating income | -- | 17.9 | 40.3 | 1.1 | 59.3 |
| Interest expense | -- | (17.3) | (15.7) | -- | (33.0) |
| Equity in income of unconsolidated affiliates | 47.7 | 44.9 | 4.2 | (75.5) | 21.3 |
| Other, net | -- | 0.3 | 0.8 | -- | 1.1 |
| Income before provision for income taxes | 47.7 | 45.8 | 29.6 | (74.4) | 48.7 |
| Provision for income taxes | -- | (0.3) | (0.7) | -- | (1.0) |
| Net income | $ 47.7 | $ 45.5 | $ 28.9 | $ (74.4) | $ 47.7 |

| | For the Six Months Ended June 30, 2009 | | | | |
|---|---|---|---|---|---|
| | TEPPCO Partners, L.P. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | TEPPCO Partners, L.P. Consolidated |
| Operating revenues | $ -- | $ 187.4 | $ 3,183.5 | $ (0.1) | $ 3,370.8 |
| Costs and expenses | -- | 146.2 | 3,084.2 | (1.2) | 3,229.2 |
| Operating income | -- | 41.2 | 99.3 | 1.1 | 141.6 |
| Interest expense | -- | (40.3) | (24.1) | -- | (64.4) |
| Equity in income (loss) of unconsolidated affiliates | 89.4 | 84.3 | (28.0) | (132.8) | 12.9 |
| Other, net | -- | 0.5 | 0.5 | -- | 1.0 |
| Income before provision for income taxes | 89.4 | 85.7 | 47.7 | (131.7) | 91.1 |
| Provision for income taxes | -- | (0.4) | (1.3) | -- | (1.7) |
| Net income | $ 89.4 | $ 85.3 | $ 46.4 | $ (131.7) | $ 89.4 |

| | For the Six Months Ended June 30, 2008 | | | | |
|---|---|---|---|---|---|
| | TEPPCO Partners, L.P. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | TEPPCO Partners, L.P. Consolidated |
| Operating revenues | $ -- | $ 191.2 | $ 6,797.9 | $ (0.1) | $ 6,989.0 |
| Costs and expenses | -- | 138.3 | 6,712.0 | (4.1) | 6,846.2 |
| Operating income | -- | 52.9 | 85.9 | 4.0 | 142.8 |
| Interest expense | -- | (44.1) | (27.5) | -- | (71.6) |
| Equity in income of unconsolidated affiliates | 111.8 | 97.9 | 7.2 | (175.9) | 41.0 |
| Other, net | -- | 0.6 | 0.8 | -- | 1.4 |
| Income before provision for income taxes | 111.8 | 107.3 | 66.4 | (171.9) | 113.6 |
| Provision for income taxes | -- | (0.5) | (1.3) | -- | (1.8) |
| Net income | $ 111.8 | $ 106.8 | $ 65.1 | $ (171.9) | $ 111.8 |

| | For the Six Months Ended June 30, 2009 | | | | |
|---|---|---|---|---|---|
| | TEPPCO Partners, L.P. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | TEPPCO Partners, L.P. Consolidated |
| Operating activities: | | | | | |
| Net income | $ 89.4 | $ 85.3 | $ 46.4 | $ (131.7) | $ 89.4 |
| *Adjustments to reconcile net income to net cash from operating activities:* | | | | | |
| Depreciation and amortization | -- | 37.9 | 31.9 | -- | 69.8 |
| Non-cash impairment charge | -- | 2.3 | -- | -- | 2.3 |
| Equity in income (loss) of unconsolidated affiliates | 93.4 | (49.5) | 28.0 | (84.8) | (12.9) |
| Distributions received from unconsolidated affiliates | -- | 76.0 | 13.2 | -- | 89.2 |
| Other, net | (15.4) | 9.3 | (42.8) | 18.6 | (30.3) |
| Net cash from operating activities | 167.4 | 161.3 | 76.7 | (197.9) | 207.5 |
| Cash flows from investing activities: | | | | | |
| Cash used for business combinations | -- | -- | (50.0) | -- | (50.0) |
| Investment in Jonah | -- | (19.1) | -- | -- | (19.1) |
| Investment in Texas Offshore Port System | -- | -- | 1.7 | -- | 1.7 |
| Capital expenditures | -- | (119.2) | (45.1) | -- | (164.3) |
| Other, net | -- | (1.4) | (1.5) | -- | (2.9) |
| Net cash flows from investing activities | -- | (139.7) | (94.9) | -- | (234.6) |
| Cash flows from financing activities: | | | | | |
| Borrowings under debt agreements | 759.3 | -- | -- | -- | 759.3 |
| Repayments of debt | (552.6) | -- | -- | -- | (552.6) |
| Net proceeds from issuance of limited partner units | 3.3 | -- | -- | -- | 3.3 |
| Intercompany debt activities | (206.7) | 123.7 | 90.5 | (7.5) | -- |
| Repurchase of restricted units | (0.1) | | -- | -- | (0.1) |
| Distributions paid to partners | (182.8) | (145.3) | (72.3) | 217.6 | (182.8) |
| Net cash flows from financing activities | (179.6) | (21.6) | 18.2 | 210.1 | 27.1 |
| Net change in cash and cash equivalents | (12.2) | -- | -- | 12.2 | -- |
| Cash and cash equivalents, January 1 | 16.1 | -- | -- | (16.1) | -- |
| Cash and cash equivalents, June 30 | $ 3.9 | $ -- | $ -- | $ (3.9) | $ -- |

| | For the Six Months Ended June 30, 2008 | | | | |
|---|---|---|---|---|---|
| | TEPPCO Partners, L.P. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | TEPPCO Partners, L.P. Consolidated |
| Operating activities: | | | | | |
| Net income | $ 111.8 | $ 106.8 | $ 65.1 | $ (171.9) | $ 111.8 |
| *Adjustments to reconcile net income to net cash from operating activities:* | | | | | |
| Depreciation and amortization | -- | 34.6 | 25.6 | -- | 60.2 |
| Equity in income (loss) of unconsolidated affiliates | -- | (37.8) | (7.2) | 4.0 | (41.0) |
| Distributions received from unconsolidated affiliates | -- | 75.9 | 3.4 | -- | 79.3 |
| Other, net | 109.2 | 20.8 | (124.6) | (51.6) | (46.2) |
| Net cash from operating activities | 221.0 | 200.3 | (37.7) | (219.5) | 164.1 |
| Cash flows from investing activities: | | | | | |
| Cash used for business combinations | -- | -- | (345.6) | -- | (345.6) |
| Investment in Jonah | -- | (64.5) | -- | -- | (64.5) |
| Capital expenditures | -- | (98.5) | (40.7) | -- | (139.2) |
| Other, net | -- | (0.3) | (14.5) | -- | (14.8) |
| Net cash flows from investing activities | -- | (163.3) | (400.8) | -- | (564.1) |
| Cash flows from financing activities: | | | | | |
| Borrowings under debt agreements | 3,344.4 | -- | -- | -- | 3,344.4 |
| Repayments of debt | (2,308.1) | (361.6) | (63.2) | -- | (2,732.9) |
| Net proceeds from issuance of limited partner units | 5.6 | -- | -- | -- | 5.6 |
| Debt issuance costs | (9.3) | -- | -- | -- | (9.3) |
| Settlement of interest rate derivative instruments – treasury locks | (52.1) | -- | -- | -- | (52.1) |
| Intercompany debt activities | (1,036.4) | 480.3 | 548.7 | 7.4 | -- |
| Distributions paid to partners | (155.7) | (155.7) | (47.0) | 202.7 | (155.7) |
| Net cash flows from financing activities | (211.6) | (37.0) | 438.5 | 210.1 | 400.0 |
| Net change in cash and cash equivalents | 9.4 | -- | -- | (9.4) | -- |
| Cash and cash equivalents, January 1 | 8.2 | -- | -- | (8.2) | -- |
| Cash and cash equivalents, June 30 | $ 17.6 | $ -- | $ -- | $ (17.6) | $ -- |

**Note 18.  Subsequent Events**

***Suspension of DRIP and EUPP***

In July 2009, we suspended the opportunity for investors to acquire additional Units under our DRIP, pursuant to the terms of the definitive merger agreements with Enterprise Products Partners (see Note 13).  We expect this suspension to remain in place pursuant to such terms while the transaction is pending.  Additionally, the EUPP will suspend operations in August 2009 pursuant to the terms of the definitive merger agreements.

***Loan Agreement with Enterprise Products Operating LLC***

On August 5, 2009, we entered into a Loan Agreement (the “Loan Agreement”) with Enterprise Products Operating LLC (“EPO”), a wholly owned subsidiary of Enterprise Products Partners, under which EPO agreed to make an unsecured revolving loan to us in an aggregate maximum outstanding principal amount not to exceed $100.0 million.  Borrowings under the Loan Agreement mature on the earliest to occur of (i) the consummation of our proposed merger with Enterprise Products Partners, (ii) the termination of the related merger agreement in accordance with the provisions thereof, (iii) December 31, 2009, (iv) the date upon which the maturity of the loan is otherwise accelerated upon an event of default, and (v) the date upon which EPO’s commitment to make the loan is terminated by us pursuant to the Loan

Agreement. Borrowings under the Loan Agreement will bear interest at a floating rate equivalent to the one-month LIBOR Rate (as defined in the Loan Agreement) plus 2.00%. Interest is payable monthly.

The Loan Agreement provides that amounts borrowed are non-recourse to our General Partner and our limited partners. The Loan Agreement contains customary events of default, including (i) nonpayment of principal when due or nonpayment of interest or other amounts within three business days of when due; (ii) bankruptcy or insolvency with respect to us; (iii) a change of control; or (iv) an event of default under our Revolving Credit Facility. Any amounts due by us under the Loan Agreement will be unconditionally and irrevocably guaranteed by our Guarantor Subsidiaries that guarantee our obligations under our Revolving Credit Facility. EPO's obligation to fund any borrowings under the Loan Agreement is subject to specified conditions, including the condition that, on and as of the applicable date of funding, no additional amounts are available to us pursuant to our Revolving Credit Facility (either as borrowings or under any letters of credit). The ACG Committee reviewed and approved the Loan Agreement, such approval constituting "Special Approval" under the conflict of interest provisions of our Partnership Agreement. The execution of the Loan Agreement was also unanimously approved by the ACG Committee of EPGP.

***Settlement Agreement***

On August 5, 2009, the parties to the Merger Action and the Derivative Action described in Note 15 entered into a Settlement Agreement contemplated by the Memorandum of Understanding. Pursuant to the Settlement Agreement, the board of directors of our General Partner will recommend to our unitholders that they approve the adoption of the merger agreement governing our proposed merger with a subsidiary of Enterprise Products Partners and take all necessary steps to seek unitholder approval for the merger as soon as practicable. Pursuant to the Settlement Agreement, approval of the merger will require, in addition to votes required under our Partnership Agreement, that the actual votes cast in favor of the proposal by holders of our outstanding Units, excluding those held by defendants to the Derivative Action, exceed the actual votes cast against the proposal by those holders. The Settlement Agreement further provides that the Derivative Action was considered by the Special Committee to be a significant benefit of ours for which fair value was obtained in the merger consideration.

The Settlement Agreement is subject to customary conditions, including Delaware Court approval. There can be no assurance that the Delaware Court will approve the settlement in the Settlement Agreement. In such event, the proposed settlement as contemplated by the Settlement Agreement may be terminated. See Note 13 for additional information regarding our relationship with Enterprise Products Partners, including information related to the proposed merger. See Note 15 for additional information related to the Merger Action and the Derivative Action, including the Settlement Agreement.

***Borrowing under Revolving Credit Facility***

On August 4, 2009, we submitted a request for borrowings under our Revolving Credit Facility expected to be received on August 7, 2009 in an aggregate amount of $95.9 million. Such borrowings will be used to pay the $91.6 million aggregate amount of our previously disclosed cash distribution on our outstanding Units with respect to the quarter ended June 30, 2009 and for general partnership purposes. Immediately following the payment of such distribution, we expect to have approximately $820 million principal amount outstanding under our Revolving Credit Facility.

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

**For the three months and six months ended June 30, 2009 and 2008**

The following information should be read in conjunction with our unaudited condensed consolidated financial statements and accompanying notes included in this Quarterly Report. The following information and such unaudited condensed consolidated financial statements should also be read in conjunction with the financial statements and related notes, together with our discussion and analysis of financial position and results of operations included in our Annual Report on Form 10-K for the year ended December 31, 2008.

Our financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP").

**Key References Used in this Quarterly Report**

Unless the context requires otherwise, references to "*we*," "*us*," "*our*," the "*Partnership*" or "*TEPPCO*" are intended to mean the business and operations of TEPPCO Partners, L.P. and its consolidated subsidiaries.

References to "*TE Products*," "*TCTM*," "*TEPPCO Midstream*" and "*TEPPCO Marine Services*" mean TE Products Pipeline Company, LLC, TCTM, L.P., TEPPCO Midstream Companies, LLC and TEPPCO Marine Services, LLC, our subsidiaries.

References to "*General Partner*" mean Texas Eastern Products Pipeline Company, LLC, which is the general partner of TEPPCO.

References to "*Enterprise GP Holdings*" mean Enterprise GP Holdings L.P., a publicly traded partnership that owns our General Partner and Enterprise Products GP, LLC, the general partner of Enterprise Products Partners L.P.

References to "*Enterprise Products Partners*" mean Enterprise Products Partners L.P., a publicly traded Delaware limited partnership and its consolidated subsidiaries, which is an affiliate of ours.

References to "*EPCO*" mean EPCO, Inc., a privately-held company that is affiliated with our General Partner. Dan L. Duncan is the Group Co-Chairman and controlling shareholder of EPCO.

References to "*petroleum products*" or "*products*" mean refined products, liquefied petroleum gases ("LPGs"), petrochemicals, crude oil, lubrication oils and specialty chemicals, natural gas liquids ("NGLs"), natural gas, asphalt, heavy fuel oil, other heated oil products and marine bunker fuel.

As generally used in the energy industry and in this discussion, the identified terms have the following meanings:

| | |
|---|---|
| /d | = per day |
| Mcf | = thousand cubic feet |
| MMcf | = million cubic feet |
| Bcf | = billion cubic feet |
| MMbls | = million barrels |
| MMBtus | = million British thermal units |
| BBtus | = billion British thermal units |

**Cautionary Note Regarding Forward-Looking Statements**

*This discussion contains various forward-looking statements and information that are based on our beliefs and those of our General Partner, as well as assumptions made by us and information currently available to us. When used in this document, words such as "anticipate," "project," "expect," "plan," "seek," "goal," "forecast," "intend," "could," "should," "will," "believe," "may," "potential" and*

*similar expressions and statements regarding our plans and objectives for future operations are intended to identify forward-looking statements. Although we and our General Partner believe that such expectations reflected in such forward-looking statements are reasonable, neither we nor our General Partner can give any assurances that such expectations will prove to be correct. Such statements are subject to a variety of risks, uncertainties and assumptions as described in more detail in Item 1A "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2008 and in Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2009 and this Quarterly Report. If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results may vary materially from those anticipated, estimated, projected or expected. You should not put undue reliance on any forward-looking statements. The forward-looking statements in this Quarterly Report speak only as of the date hereof. Except as required by federal and state securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or any other reason.*

**Overview of Critical Accounting Policies and Estimates**

A summary of the significant accounting policies we have adopted and followed in the preparation of our consolidated financial statements is included in our Annual Report on Form 10-K for the year ended December 31, 2008. Certain of these accounting policies require the use of estimates. As more fully described therein, the following estimates, in our opinion, are subjective in nature, require the exercise of judgment and involve complex analysis: revenue and expense accruals, including accruals for power costs, property taxes and crude oil margins; reserves for environmental matters; depreciation methods and estimated useful lives of property, plant and equipment; measuring recoverability of long-lived assets and equity method investments; measuring the fair value of goodwill; and amortization methods and estimated useful lives of intangible assets. These estimates are based on our knowledge and understanding of current conditions and actions we may take in the future. Changes in these estimates will occur as a result of the passage of time and the occurrence of future events. Subsequent changes in these estimates may have a significant impact on our financial position, results of operations and cash flows.

**Overview of Business**

We are a publicly traded, diversified energy logistics partnership with operations that span much of the continental United States. Our limited partner units ("Units") are listed on the New York Stock Exchange ("NYSE") under the ticker symbol "TPP". We were formed in March 1990 as a Delaware limited partnership.

We own and operate an extensive network of assets that facilitate the movement, marketing, gathering and storage of various commodities and energy-related products. Our pipeline network gathers and transports refined products, crude oil, natural gas, LPGs and NGLs, including one of the largest common carrier pipelines for refined products and LPGs in the United States. We also own a marine services business that transports petroleum products and provides marine vessel fueling services and other ship-assist services. In addition, we own interests in Seaway Crude Pipeline Company ("Seaway"), Centennial Pipeline LLC ("Centennial"), Jonah Gas Gathering Company ("Jonah") and an undivided ownership interest in the Basin Pipeline ("Basin"). We operate and report in four business segments:

- pipeline transportation, marketing and storage of refined products, LPGs and petrochemicals ("Downstream Segment");
- gathering, pipeline transportation, marketing and storage of crude oil, distribution of lubrication oils and specialty chemicals and fuel transportation services ("Upstream Segment");
- gathering of natural gas, fractionation of NGLs and pipeline transportation of NGLs ("Midstream Segment"); and

- § marine transportation of petroleum products and provision of marine vessel fueling and other ship-assist services ("Marine Services Segment").

Our reportable segments offer different products and services and are managed separately because each requires different business strategies. We operate through TE Products, TCTM, TEPPCO Midstream and TEPPCO Marine Services. Texas Eastern Products Pipeline Company, LLC, a Delaware limited liability company, serves as our general partner and owns a 2% general partner interest in us.

Please refer to Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Overview of Business in our Annual Report on Form 10-K for the year ended December 31, 2008 for an overview of how revenues are earned in each segment and other factors affecting the results and financial position of our businesses.

**Recent Developments**

The following information highlights our significant developments since January 1, 2009 through the date of this filing.

***Proposed Merger with Enterprise Products Partners***

On June 28, 2009, we and our General Partner entered into definitive merger agreements with Enterprise Products Partners, its general partner ("EPGP") and two of its subsidiaries. Under the terms of the definitive agreements, we and our General Partner would become wholly owned subsidiaries of Enterprise Products Partners, and each of our outstanding Units, other than 3,645,509 of our Units owned by a privately-held affiliate of EPCO, would be cancelled and converted into the right to receive 1.24 Enterprise Products Partners common units. The 3,645,509 Units owned by a privately-held affiliate of EPCO would be converted, based on the 1.24 exchange ratio, into the right to receive 4,520,431 of Enterprise Products Partners Class B units ("Class B Units"). The Class B Units would not be entitled to regular quarterly cash distributions of Enterprise Products Partners for sixteen quarters following the closing of the merger and, except for the payment of distributions, would have the same rights and privileges as Enterprise Products Partners common units. The Class B Units would convert automatically into the same number of Enterprise Products Partners common units on the date immediately following the payment date for the sixteenth quarterly distribution following the closing of the merger. No fractional Enterprise Products Partners common units would be issued in the proposed merger, and our unitholders would, instead, receive cash in lieu of fractional Enterprise Products Partners common units, if any.

Under the terms of the definitive agreements, Enterprise GP Holdings would receive 1,331,681 common units of Enterprise Products Partners and an increase in the capital account of EPGP to maintain its 2% general partner interest in Enterprise Products Partners as consideration for 100% of the membership interests of our General Partner.

A Special Committee of the Audit, Conflicts and Governance ("ACG") Committee of our General Partner unanimously determined that the merger is fair and reasonable to us and our unaffiliated unitholders and recommended that the merger be approved by our unaffiliated unitholders, the ACG Committee of our General Partner and our General Partner's board of directors. Based upon such determination and recommendation, the ACG Committee of our General Partner unanimously determined that the merger is fair and reasonable to us and our unaffiliated unitholders and approved the merger, such approval constituting "Special Approval" under our Partnership Agreement. The ACG Committee of our General Partner also recommended that our General Partner's board of directors approve the merger. Based on the Special Committee's determination and recommendation, as well as the ACG Committee's determination, Special Approval and recommendation, our General Partner's board of directors unanimously approved the merger and recommended that our unaffiliated unitholders vote in favor of the merger proposal. In addition, the ACG Committee of the general partner of each of Enterprise Products Partners and Enterprise GP Holdings also approved the transaction.

Completion of the proposed merger is subject to the approval of holders of at least a majority of our outstanding Units. In addition, pursuant to the merger agreement providing for the merger of our Partnership, the number of votes cast in favor of the merger agreement by our unitholders (excluding certain unitholders affiliated with EPCO and other specified officers and directors of our General Partner, Enterprise GP Holdings and Enterprise Products Partners) must exceed the votes cast against the merger agreement by such unitholders. Affiliates of EPCO, including Enterprise GP Holdings, have executed a support agreement with Enterprise Products Partners in which they have agreed to vote their Units in favor of the merger agreement. The closing is also subject to customary regulatory approvals, including that under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. Subject to the receipt of regulatory and unitholder approvals, completion of the proposed merger is expected to occur during the fourth quarter of 2009. See Note 15 in the Notes to Unaudited Condensed Consolidated Financial Statements for information regarding litigation matters associated with the proposed merger.

The merger agreement providing for the merger of our Partnership contains provisions granting both us and Enterprise Products Partners the right to terminate the agreement for certain reasons, including, among others, (i) if our merger into its subsidiary has not occurred on or before December 31, 2009, and (ii) our failure to obtain unitholder approval as described above.

In July 2009, we suspended the opportunity for investors to acquire additional Units under our distribution reinvestment plan ("DRIP"), pursuant to the terms of the definitive merger agreements with Enterprise Products Partners. Additionally, the employee unit purchase plan ("EUPP") will suspend operations in August 2009 pursuant to the terms of the definitive merger agreements. We expect these suspensions to remain in place pursuant to such terms while the transaction is pending.

***Loan Agreement with Enterprise Products Operating LLC***

On August 5, 2009, we entered into a Loan Agreement (the "Loan Agreement") with Enterprise Products Operating LLC ("EPO"), a wholly owned subsidiary of Enterprise Products Partners, under which EPO agreed to make an unsecured revolving loan to us in an aggregate maximum outstanding principal amount not to exceed $100.0 million. Borrowings under the Loan Agreement mature on the earliest to occur of (i) the consummation of our proposed merger with Enterprise Products Partners, (ii) the termination of the related merger agreement in accordance with the provisions thereof, (iii) December 31, 2009, (iv) the date upon which the maturity of the loan is otherwise accelerated upon an event of default, and (v) the date upon which EPO's commitment to make the loan is terminated by us pursuant to the Loan Agreement. Borrowings under the Loan Agreement will bear interest at a floating rate equivalent to the one-month LIBOR Rate (as defined in the Loan Agreement) plus 2.00%. Interest is payable monthly.

The Loan Agreement provides that amounts borrowed are non-recourse to our General Partner and our limited partners. The Loan Agreement contains customary events of default, including (i) nonpayment of principal when due or nonpayment of interest or other amounts within three business days of when due; (ii) bankruptcy or insolvency with respect to us; (iii) a change of control; or (iv) an event of default under our revolving credit facility ("Revolving Credit Facility"). Any amounts due by us under the Loan Agreement will be unconditionally and irrevocably guaranteed by each of our subsidiaries that guarantee our obligations under our Revolving Credit Facility. EPO's obligation to fund any borrowings under the Loan Agreement is subject to specified conditions, including the condition that, on and as of the applicable date of funding, no additional amounts are available to us pursuant to our Revolving Credit Facility (either as borrowings or under any letters of credit). The ACG Committee reviewed and approved the Loan Agreement, such approval constituting "Special Approval" under the conflict of interest provisions of our Partnership Agreement. The execution of the Loan Agreement was also unanimously approved by the ACG Committee of EPGP.

***Settlement Agreement***

On August 5, 2009, the parties to the Merger Action and the Derivative Action described in Note 15 in the Notes to Unaudited Condensed Consolidated Financial Statements entered into a Stipulation and

Agreement of Compromise, Settlement and Release (the “Settlement Agreement”) contemplated by the Memorandum of Understanding. Pursuant to the Settlement Agreement, the board of directors of our General Partner will recommend to our unitholders that they approve the adoption of the merger agreement governing our proposed merger with a subsidiary of Enterprise Products Partners and take all necessary steps to seek unitholder approval for the merger as soon as practicable. Pursuant to the Settlement Agreement, approval of the merger will require, in addition to votes required under our partnership agreement, that the actual votes cast in favor of the proposal by holders of our outstanding Units, excluding those held by defendants to the Derivative Action, exceed the actual votes cast against the proposal by those holders. The Settlement Agreement further provides that the Derivative Action was considered by the Special Committee to be a significant benefit of ours for which fair value was obtained in the merger consideration.

The Settlement Agreement is subject to customary conditions, including Court of Chancery of the State of Delaware (the “Delaware Court”) approval. There can be no assurance that the Delaware Court will approve the settlement in the Settlement Agreement. In such event, the proposed settlement as contemplated by the Settlement Agreement may be terminated. See Note 13 in the Notes to Unaudited Condensed Consolidated Financial Statements for additional information regarding our relationship with Enterprise Products Partners, including information related to the proposed merger. See Note 15 in the Notes to Unaudited Condensed Consolidated Financial Statements for additional information related to the Merger Action and the Derivative Action, including the Settlement Agreement.

***Borrowing under Revolving Credit Facility***

On August 4, 2009, we submitted a request for borrowings under our Revolving Credit Facility expected to be received on August 7, 2009 in an aggregate amount of $95.9 million. Such borrowings will be used to pay the $91.6 million aggregate amount of our previously disclosed cash distribution on our outstanding Units with respect to the quarter ended June 30, 2009 and for general partnership purposes. Immediately following the payment of such distribution, we expect to have approximately $820 million principal amount outstanding under our Revolving Credit Facility.

***Acquisition of Marine Assets; Termination of Transitional Operating Agreement***

On June 5, 2009, we expanded our Marine Services Segment with the acquisition of 19 tow boats and 28 tank barges from TransMontaigne Product Services Inc., (“TransMontaigne”), for $50.0 million in cash. The acquired vessels provide marine vessel fueling services for cruise liners and cargo ships, referred to as bunkering, and other ship-assist services and transport fuel oil for electric generation plants. The acquisition complements our existing fleet of vessels that currently transport petroleum products along the nation’s inland waterway system and in the Gulf of Mexico. The newly acquired marine assets are generally supported by contracts that have three to five year terms and are based primarily in Miami, Florida, with additional assets located in Mobile, Alabama, and Houston, Texas. We financed the acquisition with borrowings under our Revolving Credit Facility. See Note 8 in the Notes to Unaudited Condensed Consolidated Financial Statements for additional information regarding this business combination.

Effective August 1, 2009, personnel providing services to us under the transitional operating agreement with Cenac Towing Co., L.L.C., Cenac Offshore, L.L.C. and Mr. Arlen B. Cenac, Jr. (collectively, “Cenac”) became employees of EPCO, and the transitional operating agreement was terminated. Concurrently with the termination, TEPPCO Marine Services entered into a two-year consulting agreement with Mr. Cenac and Cenac Marine Services, L.L.C. under which Mr. Cenac has agreed to supervise TEPPCO Marine Services’ day-to-day operations on a part-time basis and, at TEPPCO Marine Services’ request, provide related management and transitional services. The agreement entitles Mr. Cenac to $500,000 per year in fees, plus a one-time retainer of $200,000. The consulting agreement contains noncompetition and nonsolitation provisions similar to those contained in the transitional operating agreement, which apply until the expiration of the two-year period following the date of last service provided under the consulting agreement.

***Exit from Texas Offshore Port System Partnership***

In August 2008, a wholly owned subsidiary of ours, together with a subsidiary of Enterprise Products Partners and Oiltanking Holding Americas, Inc. (“Oiltanking”), formed the Texas Offshore Port System partnership (“TOPS”). Effective April 16, 2009, our wholly owned subsidiary dissociated from TOPS. As a result, equity earnings and net income for the second quarter of 2009 include a non-cash charge of $34.2 million. This loss represents our cumulative investment in TOPS through the date of dissociation and reflects our capital contributions to TOPS for construction in progress amounts. We believe that the dissociation discharged our affiliate with respect to further obligations under the TOPS partnership agreement, and accordingly, us from the associated liability under the related parent guarantee; therefore, we have not recorded any amounts related to such guarantee. The wholly owned subsidiary of Enterprise Products Partners that was a partner in TOPS also dissociated from the partnership effective April 16, 2009. See Note 15 in the Notes to Unaudited Condensed Consolidated Financial Statements for litigation matters associated with our dissociation from TOPS.

**Results of Operations**

The following table summarizes financial information by business segment for the periods indicated (in millions):

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| Operating revenues: | | | | |
| Downstream Segment | $ 86.9 | $ 76.4 | $ 182.4 | $ 174.1 |
| Upstream Segment | 1,751.6 | 4,025.4 | 3,047.8 | 6,680.7 |
| Midstream Segment | 31.1 | 30.6 | 60.1 | 60.7 |
| Marine Services Segment | 43.7 | 48.1 | 80.6 | 73.6 |
| Intersegment eliminations | (0.1) | -- | (0.1) | (0.1) |
| Total operating revenues | 1,913.2 | 4,180.5 | 3,370.8 | 6,989.0 |
| Operating income: | | | | |
| Downstream Segment | 13.5 | 15.7 | 47.9 | 52.0 |
| Upstream Segment | 29.9 | 25.6 | 70.8 | 54.9 |
| Midstream Segment | 3.8 | 8.3 | 8.3 | 16.7 |
| Marine Services Segment | 8.3 | 8.6 | 13.5 | 15.2 |
| Intersegment eliminations | 0.4 | 1.1 | 1.1 | 4.0 |
| Total operating income | 55.9 | 59.3 | 141.6 | 142.8 |
| Equity in income (loss) of unconsolidated affiliates: | | | | |
| Downstream Segment | (4.3) | (3.7) | (7.4) | (7.8) |
| Upstream Segment | (31.3) | 4.2 | (28.0) | 7.2 |
| Midstream Segment | 23.8 | 21.9 | 49.4 | 45.6 |
| Intersegment eliminations | (0.4) | (1.1) | (1.1) | (4.0) |
| Total equity in income (loss) of unconsolidated affiliates | (12.2) | 21.3 | 12.9 | 41.0 |
| Earnings before interest: (1) | | | | |
| Downstream Segment | 9.4 | 12.4 | 41.0 | 44.8 |
| Upstream Segment | (0.9) | 30.4 | 43.3 | 62.7 |
| Midstream Segment | 27.6 | 30.3 | 57.7 | 62.5 |
| Marine Services Segment | 8.3 | 8.6 | 13.5 | 15.2 |
| Interest expense | (32.3) | (33.0) | (64.4) | (71.6) |
| Income before provision for income taxes | 12.1 | 48.7 | 91.1 | 113.6 |
| Provision for income taxes | (0.9) | (1.0) | (1.7) | (1.8) |
| Net income | $ 11.2 | $ 47.7 | $ 89.4 | $ 111.8 |

(1) See Note 12 in the Notes to Unaudited Condensed Consolidated Financial Statements for a reconciliation of earnings before interest to net income.

The following is an analysis of the results of operations, including reasons for material changes in results, by each of our business segments.

***Downstream Segment***

The following table provides financial information for the Downstream Segment for the periods indicated (in millions):

| | For the Three Months Ended June 30, | | Increase | For the Six Months Ended June 30, | | Increase |
|---|---|---|---|---|---|---|
| | **2009** | **2008** | **(Decrease)** | **2009** | **2008** | **(Decrease)** |
| Operating revenues: | | | | | | |
| Sales of petroleum products | $ 12.8 | $ 1.2 | $ 11.6 | $ 19.5 | $ 8.2 | $ 11.3 |
| Transportation – Refined products | 41.1 | 44.1 | (3.0) | 77.0 | 81.4 | (4.4) |
| Transportation – LPGs | 17.5 | 16.1 | 1.4 | 55.8 | 52.3 | 3.5 |
| Other | 15.5 | 15.0 | 0.5 | 30.1 | 32.2 | (2.1) |
| Total operating revenues | 86.9 | 76.4 | 10.5 | 182.4 | 174.1 | 8.3 |
| Costs and expenses: | | | | | | |
| Purchases of petroleum products | 12.6 | 1.3 | 11.3 | 19.2 | 8.2 | 11.0 |
| Operating expense | 30.7 | 30.4 | 0.3 | 55.6 | 57.3 | (1.7) |
| Operating fuel and power | 7.0 | 10.5 | (3.5) | 18.0 | 21.0 | (3.0) |
| General and administrative | 6.3 | 4.5 | 1.8 | 10.0 | 8.2 | 1.8 |
| Depreciation and amortization | 13.3 | 10.5 | 2.8 | 24.8 | 20.7 | 4.1 |
| Taxes – other than income taxes | 3.5 | 3.5 | -- | 6.9 | 6.7 | 0.2 |
| Total costs and expenses | 73.4 | 60.7 | 12.7 | 134.5 | 122.1 | 12.4 |
| Operating income | 13.5 | 15.7 | (2.2) | 47.9 | 52.0 | (4.1) |
| Equity in income (loss) of unconsolidated affiliates | (4.3) | (3.7) | (0.6) | (7.4) | (7.8) | 0.4 |
| Other, net | 0.2 | 0.4 | (0.2) | 0.5 | 0.6 | (0.1) |
| Earnings before interest | $ 9.4 | $ 12.4 | $ (3.0) | $ 41.0 | $ 44.8 | $ (3.8) |

The following table presents volumes delivered in barrels and average tariff per barrel for the periods indicated (in millions, except tariff information):

| | For the Three Months Ended June 30, | | Percentage Increase | For the Six Months Ended June 30, | | Percentage Increase |
|---|---|---|---|---|---|---|
| | **2009** | **2008** | **(Decrease)** | **2009** | **2008** | **(Decrease)** |
| Volumes Delivered: | | | | | | |
| Refined products | 40.0 | 41.9 | (5%) | 76.6 | 80.4 | (5%) |
| LPGs | 6.6 | 6.7 | (1%) | 19.2 | 19.6 | (2%) |
| Total | 46.6 | 48.6 | (4%) | 95.8 | 100.0 | (4%) |
| Average Tariff per Barrel: | | | | | | |
| Refined products | $ 1.03 | $ 1.05 | (2%) | $ 1.01 | $ 1.01 | -- |
| LPGs | 2.65 | 2.41 | 10% | 2.91 | 2.67 | 9% |
| Average system tariff per barrel | 1.26 | 1.24 | 2% | 1.39 | 1.34 | 4% |

*Three Months Ended June 30, 2009 Compared with Three Months Ended June 30, 2008*

Sales and purchases related to petroleum products marketing activities at our Aberdeen and Boligee terminals increased $11.6 million and $11.3 million, respectively, for the three months ended June 30, 2009, compared with the three months ended June 30, 2008. The increases in purchases and sales were primarily due to increased volumes at the Boligee and Aberdeen terminals as a result of the start-up of the Boligee terminal in August 2008 and unplanned maintenance on storage tanks at the Aberdeen terminal in the 2008 period, partially offset by lower fuel prices in the 2009 period compared to the prior year period.

Revenues from refined products transportation decreased $3.0 million for the three months ended June 30, 2009, compared with the three months ended June 30, 2008, primarily due to the recognition of $2.1 million of deferred revenue in the 2008 period related to two customer transportation agreements, a 5% decrease in refined products volumes delivered in the 2009 period and a 2% decrease in the average tariff per barrel. Under some of our transportation agreements with customers, the contracts specify minimum periodic payments for transportation services. If the transportation services used during that time

period total less than the minimum payment, the unused payment is recorded as deferred revenue. The contracts generally specify a subsequent period of time in which the customer can ship additional products to recover the deferred revenue. During the second quarter of 2008, we recognized refined products transportation revenue related to time limit expirations under two transportation agreements without the customers recovering the deferred revenues. This additional revenue increased the refined products average tariff by $0.05 per barrel in the 2008 period, or 5%. Additionally, volume decreases were primarily due to lower diesel fuel, jet fuel and motor fuel movements resulting from a decline in product demand, partially offset by higher short-haul diesel fuel and higher long-haul blendstock movements resulting from increased diesel fuel deliveries to Gulf Coast diesel fuel storage facilities and restrictions on blendstock supplies that occurred in the second quarter of 2008. The refined products average tariff per barrel decreased primarily due to the recognition of deferred revenue in the 2008 period, partially offset by increases in system tariffs that went into effect in July 2008.

Revenues from LPG transportation increased $1.4 million for the three months ended June 30, 2009, compared with the three months ended June 30, 2008, primarily due to a 10% increase in the LPG average tariff per barrel, partially offset by a 1% decrease in the LPG volumes delivered. The LPG average rate per barrel increased from the prior year period, primarily due to increases in system tariffs that went into effect in July 2008 and increased long-haul propane deliveries and decreased shorter haul isobutane deliveries during the second quarter of 2009. Propane transportation volumes increased from the 2008 period due to lower production in certain market areas in the 2009 period and the impact of higher prices in the 2008 period.

Other operating revenues increased $0.5 million for the three months ended June 30, 2009, compared with the three months ended June 30, 2008, primarily due to a $0.8 million increase in refined products storage rental revenues, a $0.4 million increase in LPG rental and location exchange revenues and a $0.3 million increase in LPG inventory sales, partially offset by a $0.5 million decrease in refined products terminaling revenue and a $0.3 million decrease in refined products excess inventory revenue.

Costs and expenses increased $12.7 million for the three months ended June 30, 2009, compared with the three months ended June 30, 2008. Purchases of petroleum products, discussed above, increased $11.3 million compared with the prior year period. Operating expenses increased $0.3 million primarily due to a $2.3 million non-cash impairment charge to idle a river terminal at Helena, Arkansas (see Note 6 in the Notes to Unaudited Condensed Consolidated Financial Statements), a $1.8 million increase in product measurement losses, a $1.0 million increase in labor and benefits expense and a $0.9 million increase in pipeline operating and maintenance costs principally related to periodic tank maintenance requirements and other repairs and maintenance on various pipeline segments. These increases were partially offset by a $2.4 million decrease related to the write-off of project costs for a cancelled project in the 2008 period, a $1.8 million decrease in environmental remediation and assessment costs and a $1.4 million decrease in transportation expense related to movements on the Centennial pipeline and a third party pipeline. Operating fuel and power decreased $3.5 million primarily due to lower transportation volumes and lower power rates in the current period. General and administrative expenses increased $1.8 million primarily due to a $2.6 million increase in legal and other expenses related to the proposed merger with Enterprise Products Partners (see Note 13 in the Notes to Unaudited Condensed Consolidated Financial Statements), partially offset by a $0.5 million decrease in consulting and contract services and a $0.4 million decrease in labor and benefits expense. Depreciation and amortization expense increased $2.8 million primarily due to a $1.3 million increase due to asset retirements, a $1.0 million increase due to assets placed into service and a $0.5 million increase in amortization of equity awards. Taxes – other than income taxes remained unchanged between periods.

Equity losses from our equity investment in Centennial increased $0.6 million for the three months ended June 30, 2009, compared with the three months ended June 30, 2008, primarily due to lower transportation volumes and revenues and higher operating expenses, primarily related to increased expenses for pipeline maintenance and product transportation downgrades. Volumes on Centennial averaged 79,800 barrels per day during the three months ended June 30, 2009, compared with 115,900 barrels per day during the three months ended June 30, 2008, primarily due to lower demand in the Midwest market area in the 2009 period.

*Six Months Ended June 30, 2009 Compared with Six Months Ended June 30, 2008*

Sales and purchases related to petroleum products marketing activities at our Aberdeen and Boligee terminals increased $11.3 million and $11.0 million, respectively, for the six months ended June 30, 2009, compared with the six months ended June 30, 2008. The increases in purchases and sales were primarily due to increased volumes at the Boligee and Aberdeen terminals as a result of the start-up of the Boligee terminal in August 2008 and unplanned maintenance on storage tanks at the Aberdeen terminal in the 2008 period, partially offset by lower fuel prices in the 2009 period compared to the prior year period.

Revenues from refined products transportation decreased $4.4 million for the six months ended June 30, 2009, compared with the six months ended June 30, 2008, primarily due to the recognition of $2.1 million of deferred revenue in the 2008 period related to two customer transportation agreements as discussed above and a 5% decrease in refined products volumes delivered. Volume decreases were primarily due to lower long-haul jet fuel, motor fuel and diesel fuel movements resulting from a decline in product demand, partially offset by higher short-haul diesel fuel and higher long-haul blendstock movements due to higher demand in the Midwest markets. The refined products average tariff per barrel remained unchanged due to the recognition of deferred revenue in the 2008 period offset by increases in system tariffs that went into effect in July 2008 and April 2009.

Revenues from LPG transportation increased $3.5 million for the six months ended June 30, 2009, compared with the six months ended June 30, 2008, primarily due to a 9% increase in the LPG average tariff per barrel, partially offset by a 2% decrease in the LPG volumes delivered. The LPG average rate per barrel increased from the prior year period primarily due to increases in system tariffs that went into effect in July 2008, increased isobutane deliveries in the Midwest and lower propane deliveries to a Midwest petrochemical plant that has a lower tariff, resulting from downtime of the plant. Propane transportation volumes were slightly lower in the 2009 period compared to the prior year period primarily due to the downtime of the Midwest petrochemical plant during the 2009 period.

Other operating revenues decreased $2.1 million for the six months ended June 30, 2009, compared with the six months ended June 30, 2008, primarily due to a $2.4 million decrease in refined products excess inventory revenue, a $1.8 million decrease in product inventory sales and a $1.1 million decrease in refined products terminaling revenue, partially offset by a $1.7 million increase in refined products storage rental revenues, a $1.0 million increase in LPG rental and location exchange revenues and a $0.5 million increase in refinery grade propylene transportation revenue due to higher volumes.

Costs and expenses increased $12.4 million for the six months ended June 30, 2009, compared with the six months ended June 30, 2008. Purchases of petroleum products, discussed above, increased $11.0 million, compared with the prior year period. Operating expenses decreased $1.7 million primarily due to a $2.4 million decrease related to the write-off of project costs in the 2008 period, a $2.3 million increase in product measurement gains, a $2.2 million decrease in transportation expense related to movements on the Centennial pipeline and a third party pipeline and a $1.5 million decrease in environmental remediation and assessment expenses. These decreases in operating expenses were partially offset by a $2.3 million non-cash impairment charge to idle a river terminal at Helena, Arkansas, a $2.1 million increase in labor and benefits expense, a $1.9 million increase in pipeline operating and maintenance costs principally related to periodic tank maintenance requirements and other repairs and maintenance on various pipeline segments and a $0.4 million lower of cost or market ("LCM") adjustment on inventory (see Note 5 in the Notes to Unaudited Condensed Consolidated Financial Statements). Operating fuel and power decreased $3.0 million, primarily due to lower transportation volumes and lower power rates in the current period. General and administrative expenses increased $1.8 million primarily due to a $2.6 million increase in legal and other expenses related to the proposed merger with Enterprise Products Partners and $0.5 million in severance expenses, partially offset by a $1.0 million decrease in labor and benefits expense. Depreciation and amortization expense increased $4.1 million, primarily due to a $1.8 million increase due to assets placed into service, a $1.3 million increase due to asset retirements and a $0.9 million increase in amortization of equity awards. Taxes – other than income taxes increased $0.2 million primarily due to a higher asset base in the current period.

Equity losses from our equity investment in Centennial decreased $0.4 million for the six months ended June 30, 2009, compared with the six months ended June 30, 2008, primarily due to improved tariff rates on lower transportation volumes, partially offset by increased expenses for pipeline maintenance and product transportation downgrades. Volumes on Centennial averaged 98,400 barrels per day during the six months ended June 30, 2009, compared with 118,800 barrels per day during the six months ended June 30, 2008, primarily due to lower demand in the Midwest market area in the 2009 period.

***Upstream Segment***

The following table provides financial information for the Upstream Segment for the periods indicated (in millions):

| | For the Three Months Ended June 30, 2009 | For the Three Months Ended June 30, 2008 | Increase (Decrease) | For the Six Months Ended June 30, 2009 | For the Six Months Ended June 30, 2008 | Increase (Decrease) |
|---|---|---|---|---|---|---|
| Operating revenues: (1) | | | | | | |
| Sales of petroleum products (2) | $ 1,732.7 | $ 4,005.3 | $ (2,272.6) | $ 3,003.9 | $ 6,643.0 | $ (3,639.1) |
| Transportation – Crude oil | 15.2 | 17.4 | (2.2) | 37.1 | 32.7 | 4.4 |
| Other | 3.7 | 2.7 | 1.0 | 6.8 | 5.0 | 1.8 |
| Total operating revenues | 1,751.6 | 4,025.4 | (2,273.8) | 3,047.8 | 6,680.7 | (3,632.9) |
| Costs and expenses: (1) | | | | | | |
| Purchases of petroleum products (2) | 1,691.2 | 3,975.5 | (2,284.3) | 2,920.8 | 6,578.2 | (3,657.4) |
| Operating expense | 16.6 | 12.7 | 3.9 | 31.2 | 26.0 | 5.2 |
| Operating fuel and power | 2.1 | 1.9 | 0.2 | 3.9 | 3.6 | 0.3 |
| General and administrative | 3.2 | 2.7 | 0.5 | 5.1 | 4.5 | 0.6 |
| Depreciation and amortization | 6.7 | 5.0 | 1.7 | 12.3 | 9.8 | 2.5 |
| Taxes – other than income taxes | 1.9 | 2.0 | (0.1) | 3.7 | 3.7 | -- |
| Total costs and expenses | 1,721.7 | 3,999.8 | (2,278.1) | 2,977.0 | 6,625.8 | (3,648.8) |
| Operating income | 29.9 | 25.6 | 4.3 | 70.8 | 54.9 | 15.9 |
| Equity in income (loss) of unconsolidated affiliates | (31.3) | 4.2 | (35.5) | (28.0) | 7.2 | (35.2) |
| Other, net | 0.5 | 0.6 | (0.1) | 0.5 | 0.6 | (0.1) |
| Earnings before interest | $ (0.9) | $ 30.4 | $ (31.3) | $ 43.3 | $ 62.7 | $ (19.4) |

(1) Amounts in this table are presented after elimination of intercompany transactions, including sales and purchases of petroleum products.

(2) Petroleum products includes crude oil, lubrication oils and specialty chemicals.

Information presented in the following table includes the margin of the Upstream Segment, which is a non-GAAP financial measure under the rules of the Securities and Exchange Commission ("SEC"). We calculate the margin of the Upstream Segment as revenues generated from the sale of crude and lubrication oils, and transportation of crude oil, less the related cost of sales (or purchases) of crude and lubrication oils, in each case prior to the elimination of intercompany amounts. We believe margin is a more meaningful measure of financial performance than sales and cost of sales of crude and lubrication oils due to significant fluctuations in the period-to-period level of our marketing activities for these products and the underlying commodity prices. Additionally, our management uses the non-GAAP measure of margin to evaluate the financial performance of the Upstream Segment because it excludes expenses that are not directly related to the marketing activities being evaluated. Margin and volume information for the three months and six months ended June 30, 2009 and 2008 is presented in the following table (in millions, except per barrel and per gallon amounts):

| | For the Three Months Ended June 30, | | Percentage Increase | For the Six Months Ended June 30, | | Percentage Increase |
|---|---|---|---|---|---|---|
| | 2009 | 2008 | (Decrease) | 2009 | 2008 | (Decrease) |
| Margins: (1) | | | | | | |
| Crude oil marketing | $ 25.6 | $ 15.6 | 64% | $ 57.8 | $ 35.9 | 61% |
| Lubrication oil sales | 2.6 | 3.0 | (13%) | 5.8 | 5.7 | 1% |
| Revenues: (1) | | | | | | |
| Crude oil transportation | 22.5 | 24.1 | (6%) | 43.0 | 47.5 | (9%) |
| Crude oil terminaling (2) | 6.0 | 4.5 | 33% | 13.6 | 8.4 | 62% |
| Total margin/revenues | $ 56.7 | $ 47.2 | 20% | $ 120.2 | $ 97.5 | 23% |
| | | | | | | |
| Total barrels/gallons: | | | | | | |
| Crude oil marketing (barrels) (3) | 41.8 | 44.3 | (6%) | 87.2 | 87.2 | -- |
| Lubrication oil volumes (gallons) | 5.0 | 3.9 | 28% | 10.4 | 7.8 | 33% |
| | | | | | | |
| Crude oil transportation (barrels) | 28.5 | 29.4 | (3%) | 57.7 | 57.2 | 1% |
| Crude oil terminaling (barrels) | 50.8 | 39.7 | 28% | 97.6 | 72.9 | 34% |
| | | | | | | |
| Margin per barrel: | | | | | | |
| Lubrication oil margin (per gallon) | $ 0.505 | $ 0.781 | (35%) | $ 0.556 | $ 0.738 | (25%) |
| | | | | | | |
| Average tariff per barrel: | | | | | | |
| Crude oil transportation | $ 0.792 | $ 0.818 | (3%) | $ 0.746 | $ 0.830 | (10%) |
| Crude oil terminaling | 0.117 | 0.114 | 2% | 0.139 | 0.115 | 21% |

(1) Amounts in this table are presented prior to the eliminations of intercompany sales, revenues and purchases between TEPPCO Crude Oil, LLC ("TCO") and TEPPCO Crude Pipeline, LLC ("TCPL"), both of which are our wholly owned subsidiaries. TCO is a significant shipper on TCPL.

(2) Revenues associated with crude oil terminaling are classified as crude oil transportation in our unaudited condensed statements of consolidated income.

(3) Reported quantities exclude inter-region transfers, which are transfers among TCO's various geographically managed regions. For the three months and six months ended June 30, 2008, we previously reported 61.6 million and 119.2 million barrels, respectively, which included inter-region transfers.

The following table reconciles the Upstream Segment margin to operating income using the information presented in the unaudited condensed statements of consolidated income and the Upstream Segment financial information on the preceding page for the periods indicated (in millions):

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Sales of petroleum products | $ 1,732.7 | $ 4,005.3 | $ 3,003.9 | $ 6,643.0 |
| Transportation – Crude oil | 15.2 | 17.4 | 37.1 | 32.7 |
| Less: Purchases of petroleum products | (1,691.2) | (3,975.5) | (2,920.8) | (6,578.2) |
| Total margin/revenues | 56.7 | 47.2 | 120.2 | 97.5 |
| Other operating revenues | 3.7 | 2.7 | 6.8 | 5.0 |
| Net operating revenues | 60.4 | 49.9 | 127.0 | 102.5 |
| Operating expense | 16.6 | 12.7 | 31.2 | 26.0 |
| Operating fuel and power | 2.1 | 1.9 | 3.9 | 3.6 |
| General and administrative | 3.2 | 2.7 | 5.1 | 4.5 |
| Depreciation and amortization | 6.7 | 5.0 | 12.3 | 9.8 |
| Taxes – other than income taxes | 1.9 | 2.0 | 3.7 | 3.7 |
| Operating income | $ 29.9 | $ 25.6 | $ 70.8 | $ 54.9 |

*Three Months Ended June 30, 2009 Compared with Three Months Ended June 30, 2008*

Sales of petroleum products and purchases of petroleum products decreased $2,272.6 million and $2,284.3 million, respectively, for the three months ended June 30, 2009, compared with the three months ended June 30, 2008. Operating income increased $4.3 million for the three months ended June 30, 2009, compared with the three months ended June 30, 2008. The decreases in sales and purchases were primarily a result of a decrease in the price of crude oil. The average New York Mercantile Exchange ("NYMEX") price of crude oil was $59.79 per barrel for the three months ended June 30, 2009, compared with $123.80 per barrel for the three months ended June 30, 2008. An increase in the crude oil marketing margin, partially offset by decreased volumes transported and increased costs and expenses discussed below, were the primary factors resulting in an increase in operating income.

Crude oil marketing margin increased $10.0 million, primarily due to the contango pricing environment during the three months ended June 30, 2009, contract amendments in light of the current market conditions and decreased transportation costs, including decreased fuel costs, partially offset by decreased volumes marketed.  Lubrication oil sales margin decreased $0.4 million, primarily due to decreased sales primarily of lower margin lubrication oils, partially offset by higher volumes and additional margin resulting from the Quality Petroleum, Inc. (“Quality Petroleum”) acquisition on August 1, 2008.  Crude oil transportation revenues (prior to intercompany eliminations) decreased $1.6 million, primarily due to lower transportation volumes on our South Texas and West Texas crude oil gathering systems, partially offset by higher transportation volumes on our Red River, Basin and other crude oil gathering systems.  Decreased transportation revenues on our South Texas, Red River, Basin and other systems resulted from lower prices of crude oil acquired through our pipeline loss allowance (“PLA”) in certain of our pipeline tariffs, partially offset by increased transportation revenues on our West Texas system primarily due to the completion of organic growth projects.  The average tariff per barrel decreased 3% primarily due to lower prices of crude oil acquired through PLA in certain of our pipeline tariffs.  Crude oil terminaling volumes and revenues increased 28% and $1.5 million, respectively, as a result of spot market demand, the completion of a storage tank in August 2008 and the completion of two storage tanks in the 2009 period.

Other operating revenues increased $1.0 million for the three months ended June 30, 2009, compared with the three months ended June 30, 2008.  The increase was primarily due to revenues from fuel transportation services generated as a result of the Quality Petroleum acquisition.

Costs and expenses decreased $2,278.1 million for the three months ended June 30, 2009, compared with the three months ended June 30, 2008.  Purchases of petroleum products, discussed above, decreased $2,284.3 million compared with the prior year period.  Operating expenses increased $3.9 million primarily due to a $1.5 million decrease in product measurement gains, a $1.1 million increase in operating expenses resulting from the Quality Petroleum acquisition, a $0.4 million increase in pipeline operating and maintenance expenses, principally related to periodic tank maintenance requirements and other repairs and maintenance on various pipeline segments, a $0.3 million increase in labor and benefits expense and a $0.3 million increase in LCM adjustments on inventory (see Note 5 in the Notes to Unaudited Condensed Consolidated Financial Statements).  Operating fuel and power increased $0.2 million primarily as a result of adjustments in power accruals.  General and administrative expenses increased $0.5 million primarily due to a $1.3 million increase in legal and other expenses related to the proposed merger with Enterprise Products Partners, partially offset by a $0.5 million decrease related to the write-off of project costs in the 2008 period.  Depreciation and amortization expense increased $1.7 million, primarily due to a $0.8 million increase due to asset retirements, a $0.6 million increase due to assets placed into service and a $0.3 million increase in amortization of equity awards.  Taxes – other than income taxes decreased $0.1 million primarily due to adjustments to property tax accruals.

Equity in income of unconsolidated affiliates decreased $35.5 million for the three months ended June 30, 2009, compared with the three months ended June 30, 2008, primarily due to a $34.2 million non-cash charge related to the forfeiture of our investment in TOPS and a $1.3 million decrease in equity in income from our investment in Seaway.  In April 2009, we recorded a non-cash charge of $34.2 million related to our wholly owned subsidiary’s dissociation from TOPS effective April 16, 2009.  This loss represents the cumulative investment that our affiliate had in TOPS at April 16, 2009, which primarily reflects capital contributions for construction in progress amounts (see Note 7 in the Notes to Unaudited Condensed Consolidated Financial Statements for further information).  Equity in income from our investment in Seaway decreased $1.3 million primarily due to a decrease in long-haul volumes and transportation revenues and an increase in pipeline operating and maintenance expenses, partially offset by an increase in product measurement gains and lower power costs primarily due to the lower volumes.  Long-haul volumes on Seaway averaged 152,000 barrels per day during the three months ended June 30, 2009, compared with 218,000 barrels per day during the three months ended June 30, 2008, primarily due to decreased volumes transported on a spot basis in the 2009 period compared to the 2008 period.

*Six Months Ended June 30, 2009 Compared with Six Months Ended June 30, 2008*

Sales of petroleum products and purchases of petroleum products decreased $3,639.1 million and $3,657.4 million, respectively, for the six months ended June 30, 2009, compared with the six months ended June 30, 2008. Operating income increased $15.9 million for the six months ended June 30, 2009, compared with the six months ended June 30, 2008. The decreases in sales and purchases were primarily a result of a decrease in the price of crude oil. The average NYMEX price of crude oil was $51.55 per barrel for the six months ended June 30, 2009, compared with $110.81 per barrel for the six months ended June 30, 2008. An increase in the crude oil marketing margin partially offset by increased costs and expenses discussed below were the primary factors resulting in an increase in operating income.

Crude oil marketing margin increased $21.9 million, primarily due to the contango pricing environment during the six months ended June 30, 2009, contract amendments in light of the current market conditions and decreased transportation costs, including decreased fuel costs. Lubrication oil sales margin increased $0.1 million, with higher volumes primarily due to sales of lower margin specialty chemicals offset by additional margin resulting from the Quality Petroleum acquisition in August 2008. Crude oil transportation revenues (prior to intercompany eliminations) decreased $4.5 million, primarily due to lower transportation volumes on our South Texas crude oil gathering system, partially offset by higher transportation volumes on our Red River, Basin, West Texas and other crude oil gathering systems. Decreased transportation revenues on our South Texas, Red River, Basin and other systems resulted from lower prices of crude oil acquired through PLA in certain of our pipeline tariffs, partially offset by increased transportation revenues on our West Texas system resulting from the completion of organic growth projects. The average tariff per barrel decreased 10% primarily due to movements on lower tariff segments and due to lower prices of crude oil acquired through PLA in certain of our pipeline tariffs. Crude oil terminaling volumes and revenues increased 34% and $5.2 million, respectively, as a result of spot market demand, the completion of a storage tank in August 2008 and the completion of two storage tanks in the 2009 period.

Other operating revenues increased $1.8 million for the six months ended June 30, 2009, compared with the six months ended June 30, 2008. The increase was primarily due to revenues from fuel transportation services generated as a result of the Quality Petroleum acquisition.

Costs and expenses decreased $3,648.8 million for the six months ended June 30, 2009, compared with the six months ended June 30, 2008. Purchases of petroleum products, discussed above, decreased $3,657.4 million compared with the prior year period. Operating expenses increased $5.2 million primarily due to a $2.4 million increase in operating expenses resulting from the Quality Petroleum acquisition, a $2.3 million decrease in product measurement gains, a $0.8 million increase in labor and benefits expense and a $0.3 million increase in LCM adjustments on inventory, partially offset by a $0.3 million decrease in pipeline inspection and repair costs associated with our integrity management program and a $0.3 million decrease in environmental assessment and remediation expense. Operating fuel and power increased $0.3 million primarily as a result of higher transportation volumes. General and administrative expenses increased $0.6 million primarily due to a $1.3 million increase in legal and other expenses related to the proposed merger with Enterprise Products Partners, partially offset by a $0.5 million decrease related to the write-off of project costs in the 2008 period. Depreciation and amortization expense increased $2.5 million primarily due to a $1.2 million increase due to assets placed into service, a $0.8 million increase due to asset retirements and a $0.5 million increase in amortization of equity awards. Taxes – other than income taxes remained unchanged between periods.

Equity in income of unconsolidated affiliates decreased $35.2 million for the six months ended June 30, 2009, compared with the six months ended June 30, 2008, primarily due to a $34.2 million non-cash charge related to the forfeiture of our investment in TOPS and a $1.0 million decrease in equity in income from our investment in Seaway. Equity in income from our investment in Seaway decreased $1.0 million primarily due to a decrease in long-haul volumes and transportation revenues, an increase in pipeline operating and maintenance expenses and a decrease in product measurement losses, partially offset by lower power costs primarily due to the lower volumes. Long-haul volumes on Seaway averaged 163,000 barrels per day during the six months ended June 30, 2009, compared with 192,000 barrels per day

during the six months ended June 30, 2008, primarily due to decreased volumes transported on a spot basis in the 2009 period compared to the 2008 period.

***Midstream Segment***

The following table provides financial information for the Midstream Segment for the periods indicated (in millions):

| | For the Three Months Ended June 30, | | Increase | For the Six Months Ended June 30, | | Increase |
|---|---|---|---|---|---|---|
| | 2009 | 2008 | (Decrease) | 2009 | 2008 | (Decrease) |
| Operating revenues: | | | | | | |
| Gathering – Natural gas | $ 14.4 | $ 14.8 | $ (0.4) | $ 28.0 | $ 28.2 | $ (0.2) |
| Transportation – NGLs (1) | 13.6 | 12.7 | 0.9 | 26.1 | 25.7 | 0.4 |
| Other | 3.1 | 3.1 | -- | 6.0 | 6.8 | (0.8) |
| Total operating revenues | 31.1 | 30.6 | 0.5 | 60.1 | 60.7 | (0.6) |
| Costs and expenses: | | | | | | |
| Operating expense | 8.4 | 4.4 | 4.0 | 17.0 | 9.4 | 7.6 |
| Operating fuel and power | 3.1 | 4.5 | (1.4) | 5.7 | 8.2 | (2.5) |
| General and administrative | 4.8 | 2.7 | 2.1 | 7.8 | 5.3 | 2.5 |
| Depreciation and amortization | 10.3 | 10.0 | 0.3 | 19.8 | 19.6 | 0.2 |
| Taxes – other than income taxes | 0.7 | 0.7 | -- | 1.5 | 1.5 | -- |
| Total costs and expenses | 27.3 | 22.3 | 5.0 | 51.8 | 44.0 | 7.8 |
| Operating income | 3.8 | 8.3 | (4.5) | 8.3 | 16.7 | (8.4) |
| Equity in income of unconsolidated affiliates | 23.8 | 21.9 | 1.9 | 49.4 | 45.6 | 3.8 |
| Other, net | -- | 0.1 | (0.1) | -- | 0.2 | (0.2) |
| Earnings before interest | $ 27.6 | $ 30.3 | $ (2.7) | $ 57.7 | $ 62.5 | $ (4.8) |

(1) Includes transportation revenue from Enterprise Products Partners of $3.5 million and $3.4 million for the three months ended June 30, 2009 and 2008, respectively. For the six months ended June 30, 2009 and 2008, such amounts were $7.3 million and $6.8 million, respectively.

The following table presents volume and average rate information for the periods indicated:

| | For the Three Months Ended June 30, | | Percentage Increase | For the Six Months Ended June 30, | | Percentage Increase |
|---|---|---|---|---|---|---|
| | 2009 | 2008 | (Decrease) | 2009 | 2008 | (Decrease) |
| Gathering – Natural Gas – Jonah: (1) | | | | | | |
| Bcf | 200.3 | 173.5 | 15% | 395.2 | 340.6 | 16% |
| Btu (in trillions) | 221.0 | 192.5 | 15% | 436.1 | 377.2 | 16% |
| Average fee per Mcf | $ 0.261 | $ 0.258 | 1% | $ 0.261 | $ 0.258 | 1% |
| Average fee per MMBtu | $ 0.237 | $ 0.233 | 2% | $ 0.236 | $ 0.233 | 1% |
| Gathering – Natural Gas – Val Verde: (1) | | | | | | |
| Bcf | 46.1 | 41.6 | 11% | 88.9 | 79.8 | 11% |
| Btu (in trillions) | 41.7 | 36.8 | 13% | 80.3 | 71.0 | 13% |
| Average fee per Mcf | $ 0.312 | $ 0.356 | (12%) | $ 0.315 | $ 0.353 | (11%) |
| Average fee per MMBtu | $ 0.345 | $ 0.402 | (14%) | $ 0.349 | $ 0.397 | (12%) |
| Transportation and movements – NGLs: | | | | | | |
| Transportation barrels (in millions) | 15.2 | 16.0 | (5%) | 29.3 | 32.5 | (10%) |
| Lease barrels (in millions) (2) | 2.5 | 2.8 | (11%) | 5.3 | 5.9 | (10%) |
| Average rate per barrel | $ 0.844 | $ 0.747 | 13% | $ 0.834 | $ 0.742 | 12% |
| Natural Gas Sales: | | | | | | |
| Btu (in trillions) | 0.8 | 1.2 | (33%) | 1.6 | 2.8 | (43%) |
| Average fee per MMBtu | $ 2.369 | $ 8.552 | (72%) | $ 2.911 | $ 7.521 | (61%) |
| Fractionation – NGLs: | | | | | | |
| Barrels (in millions) | 1.0 | 1.1 | (9%) | 1.8 | 2.1 | (14%) |
| Average rate per barrel | $ 1.784 | $ 1.785 | -- | $ 1.785 | $ 1.722 | 4% |

(1) The majority of volumes in Val Verde's contracts are measured in Bcf, while the majority of volumes in Jonah's contracts are measured in Btu. Both measures are shown for each asset for comparability purposes.

(2) Revenues associated with capacity leases are classified as other operating revenues in our unaudited condensed statements of consolidated income.

*Three Months Ended June 30, 2009 Compared with Three Months Ended June 30, 2008*

Natural gas gathering revenues from the Val Verde system decreased $0.4 million, while volumes gathered increased 4.5 Bcf for the three months ended June 30, 2009, compared with the three months ended June 30, 2008. Volumes increased primarily due to an increase in volumes from a third party natural gas connection in Colorado, partially offset by lower production as a result of the natural decline of coal bed methane production in the fields in which the Val Verde gathering system operates. For the three months ended June 30, 2009, Val Verde's gathering volumes averaged 506 MMcf/d, compared with 457 MMcf/d for the three months ended June 30, 2008. Val Verde's average natural gas gathering fee per Mcf decreased 12%, primarily due to lower rates on the higher volumes from the third party natural gas connection and lower gathering volumes of coal bed methane, partially offset by annual rate escalations.

Revenues from the transportation of NGLs increased $0.9 million for the three months ended June 30, 2009, compared with the three months ended June 30, 2008, primarily due to an increase in the average rate on the Chaparral Pipeline as a result of transporting a higher percentage of long-haul volumes at a higher tariff rate on the system and an increase in the average rate on the Panola Pipeline due to tariff increases. These increases in revenues were partially offset by a decrease in revenues and volumes on the Dean Pipeline and a decrease in the short-haul volumes on the Chaparral Pipeline.

Other operating revenues remained unchanged for the three months ended June 30, 2009, compared with the three months ended June 30, 2008, primarily due to a 9% decrease in the volume of NGLs fractionated, resulting in a decrease of $0.1 million in fractionation revenues, offset by a slight increase in Val Verde's other operating revenue.

Costs and expenses increased $5.0 million for the three months ended June 30, 2009, compared with the three months ended June 30, 2008. Operating expenses increased $4.0 million primarily due to a $2.4 million increase as a result of lower product measurement gains, a $0.6 million increase in pipeline inspection and repair costs associated with our integrity management program and a $0.5 million increase in LCM adjustments on inventory. Operating fuel and power decreased $1.4 million primarily due to lower power costs on the Chaparral Pipeline as a result of a decrease in volumes. General and administrative expenses increased $2.1 million primarily due a $2.6 million increase in legal and other expenses related to the proposed merger with Enterprise Products Partners, partially offset by $0.4 million decrease in labor and benefits expense. Depreciation and amortization expense increased $0.3 million primarily due to a $0.6 million increase due to asset retirements and a $0.4 million increase in the amortization of equity awards, partially offset by a $0.6 million decrease in amortization expense on Val Verde as a result of a decrease in volumes on contracts which are included in intangible assets and amortized under the units-of-production method. Taxes – other than income taxes remained unchanged between periods.

Equity in income from our investment in Jonah increased $1.9 million for the three months ended June 30, 2009, compared with the three months ended June 30, 2008. Earnings increased primarily due to a $7.5 million increase in natural gas gathering revenues as a result of an increase in volumes from the system expansion partially offset by a $0.8 million decrease in Jonah's condensate sales, a $2.6 million increase in depreciation and amortization expense primarily relating to the system expansion and a $2.2 million increase in operating, general and administrative expenses. For the three months ended June 30, 2009 and 2008, Jonah's gathering volumes averaged approximately 2.2 Bcf/d and 1.9 Bcf/d, respectively, and total volumes gathered increased 26.8 Bcf. For the three months ended June 30, 2009 and 2008, our sharing in the earnings of Jonah was 80.64%.

The decrease in Jonah's natural gas sales volumes for the three months ended June 30, 2009, compared with the prior year period, was primarily a result of certain producers selling gas themselves, rather than through Jonah. The decrease in Jonah's natural gas sales average fee per MMBtu was primarily a result of lower market prices in the 2009 period.

*Six Months Ended June 30, 2009 Compared with Six Months Ended June 30, 2008*

Natural gas gathering revenues from the Val Verde system decreased $0.2 million, while volumes gathered increased 9.1 Bcf for the six months ended June 30, 2009, compared with the six months ended June 30, 2008. Volumes increased primarily due to an increase in volumes from a third party natural gas connection in Colorado, partially offset by lower production as a result of the natural decline of coal bed methane production in the fields in which the Val Verde gathering system operates. For the six months ended June 30, 2009, Val Verde's gathering volumes averaged 491 MMcf/d, compared with 438 MMcf/d for the six months ended June 30, 2008. Val Verde's average natural gas gathering fee per Mcf decreased 11% primarily due to lower rates on the higher volumes from the third party natural gas connection and lower gathering volumes of coal bed methane, partially offset by annual rate escalations.

Revenues from the transportation of NGLs increased $0.4 million for the six months ended June 30, 2009, compared with the six months ended June 30, 2008, primarily due an increase in the average rate on the Chaparral Pipeline as a result of transporting a higher percentage of long-haul volumes at a higher tariff rate on the system and an increase in the average rate on the Panola Pipeline due to tariff increases. These increases in revenues were partially offset by a decrease in revenues and volumes on the Dean Pipeline, a decrease in the short-haul volumes on the Chaparral Pipeline and a decrease in revenues and volumes on the Panola Pipeline resulting from downtime following a fire during the first quarter of 2009 at a system origination point in East Texas owned by a third party.

Other operating revenues decreased $0.8 million for the six months ended June 30, 2009, compared with the six months ended June 30, 2008. Other operating revenues decreased $0.5 million as a result of a 14% decrease in the volume of NGLs fractionated. The average rate per barrel for the fractionation of NGLs increased 4% primarily due to a change in the rate structure in the fractionation agreement, under which volumes of NGLs are fractionated at a fixed rate beginning April 2008. Other operating revenues decreased $0.3 million due to a decrease in Val Verde's other operating revenue as a result of contractual producer minimum fuel levels equaling actual operating fuel usage. Val Verde retains a portion of its producers' gas to compensate for fuel used in operations. The actual usage of gas can differ from the amount contractually retained from producers. Value retained from producers or sales generated as a result of efficient fuel usage are recognized as other operating revenues.

Costs and expenses increased $7.8 million for the six months ended June 30, 2009, compared with the six months ended June 30, 2008. Operating expenses increased $7.6 million primarily due to a $3.4 million increase as a result of lower product measurement gains, a $1.4 million increase in labor and benefits expense, a $1.2 million increase in LCM adjustments on inventory and a $1.2 million increase in pipeline inspection and repair costs associated with our integrity management program. Operating fuel and power decreased $2.5 million primarily due to lower power costs on the Chaparral Pipeline as a result of a reduced fuel costs in the 2009 period. General and administrative expenses increased $2.5 million primarily due to a $2.6 million increase in legal and other expenses related to the proposed merger with Enterprise Products Partners and $0.5 million of severance expense, partially offset by a $0.7 million decrease in labor and benefits expense. Depreciation and amortization expense increased $0.2 million primarily due to a $0.8 million increase due to asset retirements and a $0.6 million increase in the amortization of equity awards, partially offset by a $1.1 million decrease in amortization expense on Val Verde as a result of a decrease in volumes on contracts which are included in intangible assets and amortized under the units-of-production method. Taxes – other than income taxes remained unchanged between periods.

Equity in income from our investment in Jonah increased $3.8 million for the six months ended June 30, 2009, compared with the six months ended June 30, 2008. Earnings increased primarily due to a $15.7 million increase in natural gas gathering revenues as a result of an increase in volumes from the system expansion, partially offset by a $3.6 million decrease in Jonah's condensate sales, a $4.0 million increase in depreciation and amortization expense primarily relating to the system expansion and additional volumes, a $3.5 million increase in operating, general and administrative expenses and a $0.6 million increase in taxes – other than income taxes primarily relating to the system expansion For the six months ended June 30, 2009 and 2008, Jonah's gathering volumes averaged approximately 2.2 Bcf/d and 1.9 Bcf/d,

respectively, and total volumes gathered increased 54.6 Bcf. For the six months ended June 30, 2009 and 2008, our sharing in the earnings of Jonah was 80.64%.

The decrease in Jonah's natural gas sales volumes for the six months ended June 30, 2009, compared with the prior year period, was primarily a result of certain producers selling gas themselves, rather than through Jonah. The decrease in Jonah's natural gas sales average fee per MMBtu was primarily a result of lower market prices in the 2009 period.

***Marine Services Segment***

The following table provides financial information for the Marine Services Segment for the periods indicated (in millions):

| | For the Three Months Ended June 30, | | Increase | For the Six Months Ended June 30, | | Increase |
|---|---|---|---|---|---|---|
| | 2009 | 2008 | (Decrease) | 2009 | 2008 | (Decrease) |
| Operating revenues: | | | | | | |
| Transportation – inland | $ 36.0 | $ 39.6 | $ (3.6) | $ 69.6 | $ 60.3 | $ 9.3 |
| Transportation – offshore | 7.7 | 8.5 | (0.8) | 11.0 | 13.3 | (2.3) |
| Total Transportation – Marine | 43.7 | 48.1 | (4.4) | 80.6 | 73.6 | 7.0 |
| Costs and expenses: | | | | | | |
| Operating expense | 20.7 | 19.0 | 1.7 | 39.4 | 27.6 | 11.8 |
| Operating fuel and power | 5.7 | 12.2 | (6.5) | 10.0 | 17.7 | (7.7) |
| General and administrative | 1.5 | 1.1 | 0.4 | 2.9 | 1.8 | 1.1 |
| Depreciation and amortization | 6.5 | 6.4 | 0.1 | 12.9 | 10.1 | 2.8 |
| Taxes – other than income taxes | 1.0 | 0.8 | 0.2 | 1.9 | 1.2 | 0.7 |
| Total costs and expenses | 35.4 | 39.5 | (4.1) | 67.1 | 58.4 | 8.7 |
| Operating income | 8.3 | 8.6 | (0.3) | 13.5 | 15.2 | (1.7) |
| Earnings before interest | $ 8.3 | $ 8.6 | $ (0.3) | $ 13.5 | $ 15.2 | $ (1.7) |

Information presented in the following table includes gross margin and average daily rate for our Marine Services Segment, which are non-GAAP financial measures under the rules of the SEC. We calculate gross margin as marine transportation revenues less operating expense and operating fuel and power. Average daily rate is calculated as gross margin for the Marine Services Segment divided by fleet operating days. We believe these non-GAAP measures of gross margin and average daily rate are meaningful measures of the financial performance of our Marine Services Segment, in which we provide services under different types of contracts with varying arrangements for the payment of fuel costs and other operational fees. These non-GAAP measures allow for comparability of results across different contracts within a given period, as well as between periods. Further, our management uses these non-GAAP measures to assist them in evaluating results of the Marine Services Segment and making decisions regarding the use and deployment of our marine vessels.

The following table provides operating statistics for the Marine Services Segment at the dates or for the periods indicated:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Number of inland tow boats (1) | 59 | 45 | 59 | 45 |
| Number of inland tank barges (1) | 127 | 103 | 127 | 103 |
| Number of offshore tow boats (1) | 6 | 6 | 6 | 6 |
| Number of offshore tank barges (1) | 8 | 8 | 8 | 8 |
| Fleet available days (in thousands) (2) | 15.5 | 14.2 | 29.4 | 21.6 |
| Fleet operating days (in thousands) (3) | 13.6 | 13.1 | 25.9 | 20.0 |
| Fleet utilization (4) | 88% | 92% | 88% | 93% |
| Gross margin (in millions) | $ 17.3 | $ 16.9 | $ 31.2 | $ 28.3 |
| Average daily rate (in thousands) (5) | $ 1.27 | $ 1.29 | $ 1.20 | $ 1.42 |

(1) Amounts represent equipment that has either been licensed or certified and available for use as of the end of the applicable period.

(2) Equal to the number of calendar days in the period (for the six months ended June 30, 2008, number of calendar days from our Cenac acquisition on February 1, 2008 and Horizon Maritime, LLC ("Horizon") on February 29, 2008 through June 30, 2008) multiplied by the total number of vessels less the aggregate number of days that our vessels are not operating due to scheduled maintenance and repairs or unscheduled instances where vessels may have to be drydocked in the event of accidents and other unforeseen damage.

(3) Equal to the number of our fleet available days in the period (for the six months ended June 30, 2008, number of our fleet available days from our acquisition of Cenac on February 1, 2008 and Horizon on February 29, 2008 through June 30, 2008) less the aggregate number of days that our vessels are off-hire.

(4) Equal to the number of fleet operating days divided by the number of fleet available days during the period.

(5) Equal to gross margin divided by the number of fleet operating days during the period.

The following table reconciles gross margin to operating income using the information presented in our unaudited condensed statements of consolidated income and the Marine Services Segment financial information on the preceding page for the periods indicated (in millions):

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Transportation revenue – Marine | $ 43.7 | $ 48.1 | $ 80.6 | $ 73.6 |
| Less: Operating expense | (20.7) | (19.0) | (39.4) | (27.6) |
| Less: Operating fuel and power | (5.7) | (12.2) | (10.0) | (17.7) |
| Gross margin | 17.3 | 16.9 | 31.2 | 28.3 |
| General and administrative | 1.5 | 1.1 | 2.9 | 1.8 |
| Depreciation and amortization | 6.5 | 6.4 | 12.9 | 10.1 |
| Taxes – other than income taxes | 1.0 | 0.8 | 1.9 | 1.2 |
| Operating income | $ 8.3 | $ 8.6 | $ 13.5 | $ 15.2 |

*Three Months Ended June 30, 2009 Compared with Three Months Ended June 30, 2008*

Revenues are primarily influenced by rates on term contracts along with industry demand, utilization rates of tank barges and reimbursements of costs of fuel and other specified operational fees that are recovered under most of the transportation contracts. Revenues from marine transportation decreased $4.4 million for the three months ended June 30, 2009, compared with the three months ended June 30, 2008, primarily due to lower fleet utilization and decreased reimbursements for the cost of fuel and other specified operational fees, which are reimbursed by customers and included in inland and offshore transportation service revenue, partially offset by approximately $2.3 million of revenues generated by the TransMontaigne assets acquired in June 2009. Reimbursable revenues decreased primarily due to a decrease in the price of diesel fuel, as discussed below in operating fuel and power costs. Fleet utilization decreased from 92% to 88% for the three months ended June 30, 2009, compared with the three months ended June 30, 2008, primarily due to reduced demand for barge services as a result of general economic conditions in the industry, which has resulted in some inland customer contracts not being renewed during the fourth quarter of 2008 and in the 2009 period. Renewal rates of contracts have continued to decline; however, most of the marine vessels impacted by these non-renewals are employed in the spot market until we can secure term contracts.

Gross margin and the average daily rate are influenced by rates on term and spot contracts and renewal of term contracts along with industry demand. Operating expenses, such as vessel personnel salaries and related employee benefits and tow boat and tank barge maintenance expenses, also impact gross margin and average daily rate. Gross margin increased $0.4 million, while the average daily rate decreased 2% for the three months ended June 30, 2009, compared with the three months ended June 30, 2008, primarily due to higher operating costs related to increased vessel maintenance expense, as discussed below. These increases in operating expenses and an increase in the fleet operating days resulted in a decrease in the average daily rate in the 2009 period.

Costs and expenses decreased $4.1 million for the three months ended June 30, 2009, compared with the three months ended June 30, 2008. Operating expenses (including those reimbursed under the transitional operating agreement) increased $1.7 million primarily due to a $0.8 million increase primarily in labor and benefits expense related to the TransMontaigne acquisition and a $1.4 million increase in vessel personnel labor and benefits expense, partially offset by a $0.4 million decrease in vessel repairs and maintenance expense. Operating fuel and power decreased $6.5 million primarily due to the decline in the price of diesel fuel. Under contract terms, substantially all operating fuel and power consumed is directly reimbursed by the customer. General and administrative expense increased $0.4 million primarily due to increased legal and other expenses related to the proposed merger with Enterprise Products Partners. Depreciation and amortization expense increased $0.1 million primarily due to the acquisition of additional tow boats and tank barges from TransMontaigne. Taxes – other than income taxes increased $0.2 million primarily due to higher payroll taxes relating to increased labor costs. Effective August 1, 2009, the transitional operating agreement was terminated. Personnel providing services thereunder became employees of EPCO and will continue to provide services to TEPPCO Marine Services under the administrative services agreement with EPCO.

*Six Months Ended June 30, 2009 Compared with Six Months Ended June 30, 2008*

We acquired Cenac and Horizon on February 1, 2008 and February 29, 2008, respectively. Our ownership and operation of these assets for a portion of the six months ended June 30, 2008, as compared to the full six months ended June 30, 2009, accounted for a portion of the changes in the results of operations in this segment.

Revenues from marine transportation increased $7.0 million for the six months ended June 30, 2009, compared with the six months ended June 30, 2008, primarily due to the timing of the acquisitions in the 2008 period as discussed above, partially offset by lower fleet utilization, decreased reimbursements for the cost of fuel and other specified operational fees and approximately $2.3 million of revenues generated by the TransMontaigne assets acquired in June 2009. Reimbursable revenues decreased primarily due to a decrease in the price of diesel fuel, as discussed below in operating fuel and power costs. Fleet utilization decreased from 93% to 88% for the six months ended June 30, 2009, compared with the six months ended June 30, 2008, primarily due to reduced demand for barge services as a result of general economic conditions in the industry, which has resulted in some inland customer contracts not being renewed during the fourth quarter of 2008 and in the 2009 period. Renewal rates of contracts have continued to decline; however, most of the marine vessels impacted by these non-renewals are employed in the spot market until we can secure term contracts.

Gross margin increased $2.9 million, while the average daily rate decreased 15% for the six months ended June 30, 2009, compared with the six months ended June 30, 2008, primarily due to the ownership and operation of the Cenac and Horizon assets for only a portion of the six months ended June 30, 2008, as compared to the full six months ended June 30, 2009. This increase in gross margin was partially offset by higher operating costs related to increased vessel maintenance expense, as discussed below. These increases in operating expenses, an increase in the fleet operating days and contract renewals at lower daily rates resulted in a decrease in the average daily rate in the 2009 period.

Costs and expenses increased $8.7 million for the six months ended June 30, 2009, compared with the six months ended June 30, 2008. A large portion of the changes in costs and expenses was the timing of the acquisitions in the 2008 period as discussed above. Operating expenses (including those reimbursed

under the transitional operating agreement) also increased due to a $2.6 million increase in vessel personnel labor and benefits expense, a $1.4 million increase in vessel repairs and maintenance expenses and a $0.8 million increase in expenses due to the TransMontaigne acquisition. Operating fuel and power decreased due to the decline in the price of diesel fuel. General and administrative expense increased primarily due to a $0.3 million increase in legal and other expenses related to the proposed merger with Enterprise Products Partners. Depreciation and amortization expense increased primarily due to the acquisition of additional tow boats and tank barges in the 2008 period and the assets purchased with the TransMontaigne acquisition. Taxes – other than income taxes increased primarily due to higher payroll taxes relating to increased labor costs.

***Interest Expense***

*Three Months Ended June 30, 2009 Compared with Three Months Ended June 30, 2008*

Interest expense decreased $0.7 million for the three months ended June 30, 2009, compared with the three months ended June 30, 2008, primarily due to lower average interest rates during the 2009 period, partially offset by higher outstanding borrowings in the 2009 period and a $0.3 million increase in capitalized interest primarily due to higher construction work-in-progress balances in the 2009 period as compared to the 2008 period.

*Six Months Ended June 30, 2009 Compared with Six Months Ended June 30, 2008*

Interest expense decreased $7.2 million for the six months ended June 30, 2009, compared with the six months ended June 30, 2008, primarily due to $8.7 million in interest expense recognized in the 2008 period upon the redemption of the 7.51% TE Products Senior Notes on January 28, 2008. Of the $8.7 million of expense, $6.6 million related to a make-whole premium paid with the redemption of the senior notes, $1.0 million related to the remaining unamortized interest rate swap loss that had been deferred as an adjustment to the carrying value of the senior notes and $1.1 million related to unamortized debt issuance costs on the senior notes. Additionally, the decrease in interest expense was due to $3.6 million of interest expense in the 2008 period resulting from interest payments hedged under treasury locks not occurring as forecasted, lower average interest rates during the 2009 period and a $0.6 million increase in capitalized interest primarily due to higher construction work-in-progress balances in the 2009 period as compared to the 2008 period. These decreases in interest expense were partially offset by higher outstanding borrowings in the 2009 period.

***Provision for Income Taxes***

Provision for income taxes is attributable to our state tax obligations under the Revised Texas Franchise Tax enacted in May 2006. At June 30, 2009 and December 31, 2008, we had current tax liabilities of $1.8 million and $3.9 million, respectively. At June 30, 2009, we had a deferred tax asset of less than $0.1 million. During the three months ended June 30, 2009 and 2008, we recorded an increase in current income tax liabilities of $0.9 million and $1.0 million, respectively. During the six months ended June 20, 2009 and 2008, we recorded an increase in current income tax liabilities of $1.7 million and $1.8 million, respectively. During the six months ended June 30, 2009, adjustments to deferred tax assets and liabilities were not material to our consolidated financial statements. The offsetting net charges to deferred tax expense and income tax expense are shown on our unaudited condensed statements of consolidated income as provision for income taxes.

**Financial Condition and Liquidity**

***Liquidity Outlook***

Our primary cash requirements consist of (i) ordinary course operating uses, such as operating expenses, capital expenditures to sustain existing operations, interest payments on our outstanding debt and distributions to our unitholders and General Partner, (ii) growth expenditures, such as capital expenditures for revenue generating activities (including the Motiva Enterprises, LLC (“Motiva”) project and Jonah) and

acquisitions of new assets or businesses and (iii) repayment of principal on our long-term debt. Our ordinary course operating cash requirements and a portion of our growth expenditures for 2009 are expected to be funded through our cash flows from operating activities. Our ability to continue to generate cash from operations to maintain adequate liquidity is subject to a number of factors, including prevailing market conditions, the possibility of a prolonged economic slowdown and general competitive, legislative, regulatory and other market factors that are beyond our control.

In August 2009, we entered into a Loan Agreement with EPO under which EPO agreed to make a revolving loan to us in an aggregate maximum outstanding principal amount not to exceed $100.0 million. Borrowings under the Loan Agreement mature on the earliest to occur of (i) the consummation of our proposed merger with Enterprise Products Partners, (ii) the termination of the related merger agreement in accordance with the provisions thereof, (iii) December 31, 2009, (iv) the date upon which the maturity of the loan is otherwise accelerated upon an event of default, and (v) the date upon which EPO's commitment to make the loan is terminated by us pursuant to the Loan Agreement. Borrowings under the Loan Agreement will bear interest at a floating rate, equivalent to the one-month LIBOR Rate (as defined in the Loan Agreement) plus 2.00%. Interest is payable monthly. EPO's obligation to fund any borrowings under the Loan Agreement is subject to specified conditions, including the condition that, on and as of the applicable date of funding, no additional amounts are available to us pursuant to our Revolving Credit Facility (either as borrowings or under any letters of credit). See "Recent Developments" within this Item 2 for further information. Because our access to debt and equity capital markets is constrained while the merger with Enterprise Products Partners is pending, and because we have relied more heavily on borrowings under our Revolving Credit Facility to fund 2009 capital expenditures than previous years, we entered into the Loan Agreement to supplement our near-term liquidity position. However, we currently do not expect to borrow funds under the Loan Agreement.

For the remainder of 2009, we expect cash requirements for our anticipated level of growth expenditures to be funded by a combination of cash flows from operating activities and borrowings under our Revolving Credit Facility. We currently have no material long-term debt obligations that mature in 2009, and our Revolving Credit Facility does not mature until 2012. However, if we were to incur any indebtedness under the Loan Agreement, we would be obligated to repay it no later than December 31, 2009, and we likely would not have availability under our Revolving Credit Facility as a source to repay such amounts. See Item 1A, Part II. Risk Factors.

It is our belief that we will continue to have adequate liquidity to fund future recurring operating and investing activities. For a discussion of our liquidity outlook (which is updated in this report), see "General Outlook for 2009" within Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2008.

***Cash Flows from Operating, Investing and Financing Activities***

Cash generated from operations, distributions from our joint ventures and borrowings under our credit facilities are our primary sources of liquidity. From time to time we may dispose of assets, which would provide an additional source of liquidity. At June 30, 2009 and December 31, 2008, we had working capital surpluses of $42.9 million and $7.6 million, respectively. At June 30, 2009, we had approximately $197.8 million in available borrowing capacity under our Revolving Credit Facility. Cash flows for the periods indicated were as follows (in millions):

| | For the Six Months Ended June 30, | |
|---|---|---|
| | **2009** | **2008** |
| Cash provided by (used in): | | |
| Operating activities | $ 207.5 | $ 164.1 |
| Investing activities | (234.6) | (564.1) |
| Financing activities | 27.1 | 400.0 |

*Operating Activities*

Net cash flow provided by operating activities was $207.5 million for the six months ended June 30, 2009 compared to $164.1 million for the six months ended June 30, 2008. The following were the principal factors resulting in the $43.4 million increase in net cash flows provided by operating activities:

§ Cash flow from operating activities increased due to the timing of cash receipts and cash disbursements related to working capital components.

§ Cash distributions received from unconsolidated affiliates increased $9.9 million. Distributions received from our equity investment in Seaway increased $9.8 million primarily due to the timing of distributions received in the 2009 period as compared to the 2008 period. Distributions from our equity investment in Jonah increased $0.1 million primarily due to increased revenues and volumes generated from completion of the system expansion.

§ Cash paid for interest, net of amounts capitalized, increased $6.5 million for the six months ended June 30, 2009 compared with the six months ended June 30, 2008, primarily due to an increase in debt outstanding, including higher outstanding balances on our variable rate Revolving Credit Facility, partially offset by the redemption of our senior notes in the 2008 period. Excluding the effects of hedging activities and interest capitalized during the year ending December 31, 2009, we expect interest payments on our fixed-rate senior notes and junior subordinated notes for 2009 to be approximately $139.6 million. We expect to make our interest payments with cash flows from operating activities.

*Investing Activities*

Net cash flow used in investing activities was $234.6 million for the six months ended June 30, 2009, compared to $564.1 million for the six months ended June 30, 2008. The following were the principal factors resulting in the $329.5 million decrease in net cash flows used in investing activities:

§ Cash used for business combinations was $50.0 million during the six months ended June 30, 2009 for the TransMontaigne acquisition (see Note 8 in the Notes to Unaudited Condensed Consolidated Financial Statements), compared with $345.6 million during the six months ended June 30, 2008, of which $258.1 million was for the Cenac acquisition and $87.5 million was for the Horizon acquisition.

§ Capital expenditures increased $25.1 million primarily due to higher spending on revenue generating projects for the six months ended June 30, 2009 compared with the six months ended June 30, 2008. Cash paid for linefill on assets owned decreased $13.0 million for the six months ended June 30, 2009 compared with the six months ended June 30, 2008, primarily due to the timing of completion of organic growth projects in our Upstream Segment.

§ Investments in unconsolidated affiliates decreased $47.1 million, which includes a $45.4 million decrease in contributions to Jonah primarily related to lower system expansion spending in 2009 and a $1.7 million decrease in net contributions to TOPS for the six months ended June 30, 2009. In January 2009, we received a $3.1 million refund of our 2008 contributions to TOPS due to a delay in the timing of the expected project spending. In February and March 2009, we then invested an additional $1.4 million in TOPS. See Note 7 in the Notes to Unaudited Condensed Consolidated Financial Statements for information regarding our dissociation from TOPS.

§ Cash used for the acquisition of intangible assets increased $1.1 million during the six months ended June 30, 2009, compared with the six months ended June 30, 2008.

***Financing Activities***

Cash flows provided by financing activities totaled $27.1 million for the six months ended June 30, 2009, compared to $400.0 million for the six months ended June 30, 2008. The following were the principal factors resulting in the $372.9 million decrease in cash flows provided by financing activities:

- During the six months ended June 30, 2008, we used $1.0 billion of proceeds from our term credit agreement (i) to fund the cash portion of our Cenac and Horizon acquisitions, (ii) to fund the redemption of our 7.51% TE Products Senior Notes in January 2008 and to repay our 6.45% TE Products Senior Notes, which matured in January 2008, (iii) to repay $63.2 million of debt assumed in the Cenac acquisition, and (iv) for other general partnership purposes. We used the proceeds from the issuance of senior notes in March 2008 to repay the outstanding balance of $1.0 billion under the term credit agreement. Debt issuance costs paid during the six months ended June 30, 2008 were $9.3 million.

- Net borrowings under our Revolving Credit Facility increased $166.7 million primarily due to the Revolving Credit Facility being used to fund a greater portion of capital expenditures for the six months ended June 30, 2009, compared with the six months ended June 30, 2008.

- We paid $52.1 million to settle treasury locks in March 2008 (see Note 4 in the Notes to Unaudited Condensed Consolidated Financial Statements) upon the issuance of senior notes.

- Cash distributions to our partners increased $27.1 million for the six months ended June 30, 2009, compared with the six months ended June 30, 2008, due to an increase in the number of Units outstanding and an increase in our quarterly cash distribution rate per Unit. We paid cash distributions of $182.8 million ($1.450 per Unit) and $155.7 million ($1.405 per Unit) during the six months ended June 30, 2009 and 2008, respectively. Additionally, we declared a cash distribution of $0.725 per Unit for the quarter ended June 30, 2009. We will pay the distribution of $91.6 million on August 7, 2009 to unitholders of record on July 31, 2009.

- Net proceeds from the issuance of Units to employees under our EUPP and the issuance of Units in connection with our DRIP were $3.3 million for the six months ended June 30, 2009, compared to $5.6 million for the six months ended June 30, 2008. See below for further information regarding our DRIP and EUPP.

**Other Considerations**

***Registration Statements***

We have a universal shelf registration statement on file with the SEC that allows us to issue an unlimited amount of debt and equity securities.

We also have a registration statement on file with the SEC authorizing the issuance of up to 10,000,000 Units in connection with our DRIP. During the six months ended June 30, 2009, 115,703 Units have been issued under this registration statement, generating $2.9 million in net proceeds that we used for general partnership purposes. On July 1, 2009, we suspended the opportunity for investors to acquire additional Units under our DRIP, pursuant to the terms of the definitive merger agreement with Enterprise Products Partners (see Note 15 in the Notes to Unaudited Condensed Consolidated Financial Statements). We expect this suspension to remain in place pursuant to such terms while the transaction is pending.

In addition, we have a registration statement on file related to our EUPP, under which we can issue up to 1,000,000 Units. During the six months ended June 30, 2009, 15,902 Units have been issued to employees under this plan, generating $0.4 million in net proceeds that we used for general partnership purposes. In August 2009, the EUPP will suspend operations pursuant to the terms of the merger agreement. We expect this suspension to remain in place pursuant to such terms while the transaction is pending.

For information regarding our Partnership's capital, see Note 11 in the Notes to Unaudited Condensed Consolidated Financial Statements included under Item 1 of this Quarterly Report.

*Debt Obligations*

Except for routine fluctuations in our unsecured Revolving Credit Facility, there have been no material changes in the terms of our debt obligations since those reported in our Annual Report on Form 10-K for the year ended December 31, 2008.

Our available borrowing capacity under our Revolving Credit Facility was approximately $197.8 million at June 30, 2009.

We were in compliance with the covenants of our long-term debt obligations at June 30, 2009.

For information regarding our debt obligations, see Note 10 in the Notes to Unaudited Condensed Consolidated Financial Statements included under Item 1 of this Quarterly Report.

See "Recent Developments" within this Item 2 for information regarding a loan agreement we entered into with Enterprise Products Partners.

*Future Capital Needs and Commitments*

We estimate that capital expenditures, excluding acquisitions and joint venture contributions, for 2009 will be in the range of $315.0 million to $345.0 million (including approximately $19.0 million of capitalized interest). Excluding capitalized interest, we expect to spend in the range of $245.0 million to $275.0 million for revenue generating projects, which includes $160.0 million for our expected spending on the Motiva project. We expect to spend approximately $46.0 million to sustain existing operations (including $16.0 million for pipeline integrity) including life-cycle replacements for equipment at various facilities and pipeline and tank replacements among all of our business segments. We expect to spend approximately $5.0 million to improve operational efficiencies and reduce costs among all of our business segments. Based upon our capital spending for the first half of 2009 (excluding acquisitions and joint venture contributions), we expect that our capital expenditures for the remainder of 2009 will be approximately $29 million to sustain existing operations and our growth capital expenditures will be in the range of $120 million to $150 million.

Additionally, we expect to invest approximately $22.0 million in our Jonah joint venture during 2009 for the completion of additional facilities to expand the Pinedale filed production. During 2009, TE Products may be required to contribute cash to Centennial to cover capital expenditures, debt service requirements or other operating needs. We continually review and evaluate potential capital improvements and expansions that would be complementary to our present business operations. These expenditures can vary greatly depending on the magnitude of our transactions.

*Off-Balance Sheet Arrangements*

There have been no material changes with regards to our off-balance sheet arrangements since those reported in our Annual Report on Form 10-K for the year ended December 31, 2008.

*Contractual Obligations*

*Scheduled maturities of long-term debt*. With the exception of routine fluctuations in the balance of our Revolving Credit Facility, there have been no material changes in our scheduled maturities of long-term debt since those reported in our Annual Report on Form 10-K for the year ended December 31, 2008.

*Operating lease obligations*. Lease and rental expense was $4.6 million and $5.1 million for the three months ended June 30, 2009 and 2008, respectively. For the six months ended June 30, 2009 and

2008, lease and rental expense was $9.1 million and $10.3 million, respectively. There have been no material changes in our operating lease commitments since December 31, 2008.

*Purchase obligations*. Apart from that discussed below, there have been no material changes in our purchase obligations since December 31, 2008.

Due to our exit from TOPS, our capital expenditure commitments decreased by an estimated $68.0 million. See Note 7 in the Notes to Unaudited Condensed Consolidated Financial Statements for additional information regarding this event.

***Summary of Related Party Transactions***

The following table summarizes related party transactions for the periods indicated (in millions):

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| **Revenues from EPCO and affiliates:** | | | | |
| Sales of petroleum products | $ 0.2 | $ 0.3 | $ 0.3 | $ 0.9 |
| Transportation – NGLs | 3.5 | 3.4 | 7.3 | 6.8 |
| Transportation – LPGs | 1.5 | 1.0 | 6.4 | 3.3 |
| Other operating revenues | 6.3 | 0.2 | 20.3 | 0.6 |
| Related party revenues | $ 11.5 | $ 4.9 | $ 34.3 | $ 11.6 |
| **Costs and Expenses from EPCO and affiliates:** | | | | |
| Purchases of petroleum products | $ 45.2 | $ 30.5 | $ 71.9 | $ 50.2 |
| Operating expense | 29.5 | 26.7 | 58.1 | 48.2 |
| General and administrative | 7.4 | 8.0 | 15.5 | 16.8 |
| **Costs and Expenses from unconsolidated affiliates:** | | | | |
| Purchases of petroleum products | 0.7 | 2.0 | -- | 3.5 |
| Operating expense | 0.6 | 1.6 | 2.2 | 3.9 |
| **Costs and Expenses from Cenac and affiliates:** | | | | |
| Operating expense | 13.6 | 9.8 | 27.0 | 17.2 |
| General and administrative | 0.5 | 0.8 | 1.6 | 1.3 |
| Related party expenses | $ 97.5 | $ 79.4 | $ 176.3 | $ 141.1 |

The following table summarizes our related party receivable and payable amounts at the dates indicated (in millions):

| | June 30, 2009 | December 31, 2008 |
|---|---|---|
| Accounts receivable, related parties | $ 10.7 | $ 15.8 |
| Accounts payable, related parties | 40.9 | 17.2 |

For additional information regarding our related party transactions, see Note 13 in the Notes to Unaudited Condensed Consolidated Financial Statements.

***Credit Ratings***

Our publicly traded debt securities are rated investment-grade. Standard & Poor’s Ratings Group (“S&P”) and Fitch Ratings each assigned a rating of BBB- and Moody’s Investors Service, Inc. (“Moody’s”) assigned a rating of Baa3, all with stable outlooks. Such ratings reflect only the view of the rating agency and should not be interpreted as a recommendation to buy, sell or hold our securities. These ratings may be revised or withdrawn at any time by the agencies at their discretion and should be evaluated independently of any other rating. Based upon the characteristics of the fixed/floating unsecured junior subordinated notes that we issued in May 2007, Moody’s and S&P each assigned 50% equity treatment to these notes. Fitch Ratings assigned 75% equity treatment to these notes.

Fitch Ratings affirmed its BBB- rating of our publicly traded debt securities on June 29, 2009 following the announcement that we had entered into definitive agreements to merge with Enterprise

Products Partners. This rating assumes that (i) our debt and the debt of EPO, the operating subsidiary of Enterprise Products Partners, would be pari passu upon completion of the merger, (ii) EPO would be able to maintain or refinance our Revolving Credit Facility borrowings, and (iii) the pro forma credit measures of EPO remain consistent with Fitch Ratings' pre-merger estimates. We do not expect a change in our credit ratings if the proposed merger is consummated in accordance with the terms of the definitive merger agreements.

***Recent Accounting Pronouncements***

The accounting standard setting bodies have recently issued the following accounting guidance since those reported in our Annual Report on Form 10-K for the year ended December 31, 2008 that will or may affect our future financial statements:

§ FSP FAS 157-4 (ASC 820), *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*;

§ FSP FAS 107-1 and APB 28-1 (ASC 825), *Interim Disclosures About Fair Value of Financial Instruments*;

§ SFAS No. 165 (ASC 855), *Subsequent Events*;

§ SFAS No. 167 (ASC 810), *Amendments to FASB Interpretation No. 46(R);* and

§ SFAS No. 168 (ASC 105), *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162*.

For additional information regarding recent accounting developments, see Note 2 in the Notes to Unaudited Condensed Consolidated Financial Statements included under Item 1 of this Quarterly Report.

***Insurance Matters***

EPCO completed its annual insurance renewal process during the second quarter of 2009. In light of recent hurricane and other weather-related events, the renewal of policies for weather-related risks resulted in significant increases in premiums and certain deductibles, as well as changes in the scope of coverage.

EPCO's deductible for onshore physical damage from windstorms increased from $10.0 million per storm to $25.0 million per storm. EPCO's onshore program currently provides $150.0 million per occurrence for named windstorm events compared to $175.0 million per occurrence in the prior year. For non-windstorm events, EPCO's deductible for onshore physical damage remained at $5.0 million per occurrence. Business interruption coverage in connection with a windstorm event remained unchanged for onshore assets. Onshore assets covered by business interruption insurance must be out-of-service in excess of 60 days before any losses from business interruption will be covered. Furthermore, pursuant to the current policy, we will now absorb 50% of the first $50.0 million of any loss in excess of deductible amounts for our onshore assets. There were no changes to insurance coverage for our marine transportation assets.

**Item 3.** ***Quantitative and Qualitative Disclosures about Market Risk.***

In the course of our normal business operations, we are exposed to certain risks, including changes in interest rates and commodity prices. In order to manage risks associated with certain identifiable and anticipated transactions, we use derivative instruments. Derivatives are financial instruments whose fair value is determined by changes in a specified benchmark such as interest rates or commodity prices. Typical derivative instruments include futures, forward contracts, swaps and other instruments with similar

characteristics. Substantially all of our derivatives are used for non-trading activities. See Note 4 in the Notes to Unaudited Condensed Consolidated Financial Statements included under Item 1 of this Quarterly Report for additional information regarding our derivative instruments and hedging activities.

Our exposures to market risk have not changed materially since those reported under Part II, Item 7A. Quantitative and Qualitative Disclosures About Market Risk of our Annual Report on Form 10-K for the year ended December 31, 2008.

**Interest Rate Derivative Instruments**

We utilize interest rate swaps, treasury locks and similar derivative instruments to manage our exposure to changes in the interest rates of certain debt agreements. This strategy is a component in controlling our cost of capital associated with such borrowings. At June 30, 2009, we had no interest rate derivative instruments outstanding.

**Commodity Derivative Instruments**

We seek to maintain a position that is substantially balanced between crude oil purchases and related sales and future delivery obligations. The price of crude oil is subject to fluctuations in response to changes in supply, market uncertainty and a variety of additional factors that are beyond our control. In order to manage the price risk associated with crude oil, we enter into commodity derivative instruments such as forwards, basis swaps and futures contracts. The purpose of such hedging strategy is to either balance our inventory position or to lock in a profit margin.

The following table shows the effect of hypothetical price movements on the estimated fair value ("FV") of our portfolio at the dates indicated (dollars in millions):

| Scenario | Resulting Classification | Portfolio Fair Value at June 30, 2009 | Portfolio Fair Value at July 21, 2009 |
|---|---|---|---|
| FV assuming no change in underlying commodity prices | *Asset (Liability)* | $ 0.4 | $ (0.5) |
| FV assuming 10% increase in underlying commodity prices | *Asset (Liability)* | 0.4 | (0.6) |
| FV assuming 10% decrease in underlying commodity prices | *Asset (Liability)* | 0.4 | (0.3) |

**Item 4. *Controls and Procedures*.**

As of the end of the period covered by this Quarterly Report, our management carried out an evaluation, with the participation of our principal executive officer (the "CEO") and our principal financial officer (the "CFO"), of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934. Based on that evaluation, as of the end of the period covered by this Quarterly Report, the CEO and CFO concluded:

(i) that our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure; and

(ii) that our disclosure controls and procedures are effective at a reasonable assurance level.

**Changes in Internal Control over Financial Reporting**

Other than as discussed under "TEPPCO Marine Services Transactions" below, there were no changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) under the Securities

Exchange Act of 1934) or in other factors during the second quarter of 2009, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

**TEPPCO Marine Services Transactions**

On February 1, 2008, we acquired transportation assets and certain intangible assets that comprised the marine transportation business of Cenac. On February 29, 2008, we purchased marine assets from Horizon, a privately-held Houston-based company and an affiliate of Mr. Cenac. These purchases were recorded using purchase accounting. In recording the TEPPCO Marine Services purchase transactions, we followed our normal accounting procedures and internal controls.

The Office of the Chief Accountant of the SEC has issued guidance regarding the reporting of internal control over financial reporting in connection with a material acquisition. This guidance was reiterated in September 2007 to affirm that management may omit an assessment of an acquired business' internal control over financial reporting from management's assessment of internal control over financial reporting for a period not to exceed one year. We excluded the operations acquired from Cenac and Horizon from the scope of our Sarbanes-Oxley Section 404 report on internal control over financial reporting for the year ended December 31, 2008. We expect to complete the implementation of our internal control structure over the operations we acquired from Cenac and Horizon in 2009.

The certifications of our General Partner's CEO and CFO required under Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 have been included as exhibits to this Quarterly Report.

## PART II. OTHER INFORMATION.

### Item 1. *Legal Proceedings*.

For information on legal proceedings, see Part I, Item 1, Financial Statements, Note 15, "Commitments and Contingencies – Litigation," in the Notes to Unaudited Condensed Consolidated Financial Statements included in this Quarterly Report, which is incorporated into this item by reference.

### Item 1A. *Risk Factors*.

Security holders and potential investors in our securities should carefully consider the risk factors set forth below and the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2008, in addition to other information in such report and in this Quarterly Report. We have identified these risk factors as important factors that could cause our actual results to differ materially from those contained in any written or oral forward-looking statements made by us or on our behalf.

***Failure to complete the merger could negatively impact our Unit price and future business and financial results.***

We cannot assure you that the merger with Enterprise Products Partners will be approved by our unitholders or that the other conditions to the completion of the merger will be satisfied. In addition, both we and Enterprise Products Partners have the right to terminate the merger agreement and pursue alternative transactions under certain conditions. If the merger is not completed, we will not receive any of the expected benefits of the merger and will be subject to risks and/or liabilities, including the following:

§ failure to complete the merger might be followed by a decline in the market price of our Units;

§ certain costs relating to the merger (such as legal, accounting and financial advisory fees) are payable by us whether or not the merger is completed; and

- we would continue to face the risks that we currently face as a separate public company.

If the merger is not completed, these risks and liabilities may materially adversely affect our business, financial results, financial condition and Unit price.

***Uncertainties associated with the merger may cause us to lose employees, customers and business partners. While the merger is pending, we are subject to restrictions on the conduct of our business.***

Current and prospective employees who provide services to us may be uncertain about their future roles and relationships with us or EPCO and its affiliates following the completion of the merger. This uncertainty may adversely affect our ability to attract and retain key management and employees.

Our customers and business partners may not be as willing to continue business with us on the same or similar terms pending the completion of the merger, which would materially and adversely affect our business and results of operations. In addition, the merger agreement restricts us from taking specified actions without Enterprise Products Partners' approval including, among other things, making certain significant acquisitions, dispositions or investments, making certain significant capital expenditures, and entering into certain material contracts. Our management may also be required to devote substantial time to merger-related activities, which could otherwise be devoted to pursuing other beneficial business opportunities.

***Any delay in completing the merger and integrating the businesses may substantially reduce the benefits expected to be obtained from the merger.***

In addition to obtaining the required regulatory clearances and approvals, the merger is subject to a number of other conditions beyond our control and the control Enterprise Products Partners that may prevent, delay or otherwise materially adversely affect its completion. We cannot predict whether or when the conditions to closing will be satisfied. Any delay in completing the merger and integrating the partnerships' businesses may diminish the benefits that we expect to achieve in the merger.

***Our prior interest in the TOPS partnership and dissociation from the partnership in April 2009 could subject us to various liabilities.***

The TOPS partnership was expected to represent an important component of our business strategy, requiring an estimated $600.0 million in capital contributions from us through 2011. Effective April 16, 2009, we and a subsidiary of Enterprise Products Partners elected to dissociate, or exit, from TOPS. In dissociating from TOPS, we forfeited our investment and one-third ownership interest in the partnership. As a result, our equity earnings and net income for the second quarter of 2009 include a non-cash charge of $34.2 million.

The third partner, an affiliate of Oiltanking, has filed an original petition against Enterprise Offshore Port System, LLC, EPO, TEPPCO O/S Port System, LLC, us and our General Partner in the District Court of Harris County, Texas, 61st Judicial District (Cause No. 2009-31367), asserting, among other things, that the dissociation was wrongful and in breach of the TOPS partnership agreement, citing provisions of the agreement that, if applicable, would continue to obligate us and Enterprise Products Partners to make capital contributions to fund the project and impose liabilities on us. We have not recorded any reserves for potential liabilities relating to this matter, although we may determine in future periods that an accrual of reserves for potential liabilities (including costs of litigation) should be made.

***If the merger agreement with Enterprise Products Partners is terminated and we were unable to obtain external financing to repay any borrowings under the Loan Agreement with EPO, we may suffer a default under a substantial majority of our outstanding indebtedness.***

In order to supplement our liquidity position during the pendency of the proposed merger with Enterprise Products Partners, we entered into the Loan Agreement with EPO, which is a wholly-owned subsidiary of Enterprise Products Partners. We are not entitled to borrow under the Loan Agreement unless

there is no remaining availability for borrowing under our Revolving Credit Facility. In addition, borrowings under the Loan Agreement mature upon termination by either party of the merger agreement with Enterprise Products Partners, among other events. If we were to incur material indebtedness under the Loan Agreement that became due either because of termination of the merger agreement or otherwise, we would likely be required to seek additional bank financing to fund a repayment to EPO due to the likely unavailability of borrowing capacity under our Revolving Credit Facility and of timely access to the capital markets. Failure to satisfy timely the accelerated obligations under the Loan Agreement would constitute a default under the Loan Agreement, which would entitle EPO to declare unpaid amounts under the Loan Agreement immediately due and payable. Such a default would constitute an event of default under our Revolving Credit Facility and may constitute an event of default under our senior notes, which would allow for the acceleration of a substantial majority of our indebtedness.

**Item 5. *Other Information*.**

***Loan Agreement with Enterprise Products Operating LLC***

On August 5, 2009, we entered into a Loan Agreement with EPO under which EPO agreed to make an unsecured revolving loan to us in an aggregate maximum outstanding principal amount not to exceed $100.0 million. Borrowings under the Loan Agreement mature on the earliest to occur of (i) the consummation of our proposed merger with Enterprise Products Partners, (ii) the termination of the related merger agreement in accordance with the provisions thereof, (iii) December 31, 2009, (iv) the date upon which the maturity of the loan is otherwise accelerated upon an event of default, and (v) the date upon which EPO's commitment to make the loan is terminated by us pursuant to the Loan Agreement. Borrowings under the Loan Agreement will bear interest at a floating rate equivalent to the one-month LIBOR Rate (as defined in the Loan Agreement) plus 2.00%. Interest is payable monthly.

The Loan Agreement provides that amounts borrowed are non-recourse to our General Partner and our limited partners. The Loan Agreement contains customary events of default, including (i) nonpayment of principal when due or nonpayment of interest or other amounts within three business days of when due; (ii) bankruptcy or insolvency with respect to us; (iii) a change of control; or (iv) an event of default under our Revolving Credit Facility. Any amounts due by us under the Loan Agreement will be unconditionally and irrevocably guaranteed by each of our subsidiaries that guarantee our obligations under our Revolving Credit Facility. EPO's obligation to fund any borrowings under the Loan Agreement is subject to specified conditions, including the condition that, on and as of the applicable date of funding, no additional amounts are available to us pursuant to our Revolving Credit Facility (either as borrowings or under any letters of credit). The ACG Committee reviewed and approved the Loan Agreement, such approval constituting "Special Approval" under the conflict of interest provisions of our Partnership Agreement. The execution of the Loan Agreement was also unanimously approved by the ACG Committee of EPGP.

The foregoing description of the Loan Agreement is qualified in its entirety by reference to the full and complete terms of the Loan Agreement, which is filed with this Quarterly Report as Exhibit 10.4.

***Settlement Agreement***

On August 5, 2009, the parties to the Merger Action and the Derivative Action described in Note 15 in the Notes to Unaudited Condensed Consolidated Financial Statements entered into a Stipulation and Agreement of Compromise, Settlement and Release (the "Settlement Agreement") contemplated by the Memorandum of Understanding. Pursuant to the Settlement Agreement, the board of directors of our General Partner will recommend to our unitholders that they approve the adoption of the merger agreement governing our proposed merger with a subsidiary of Enterprise Products Partners and take all necessary steps to seek unitholder approval for the merger as soon as practicable. Pursuant to the Settlement Agreement, approval of the merger will require, in addition to votes required under our partnership agreement, that the actual votes cast in favor of the proposal by holders of our outstanding Units, excluding

those held by defendants to the Derivative Action, exceed the actual votes cast against the proposal by those holders. The Settlement Agreement further provides that the Derivative Action was considered by the Special Committee to be a significant benefit of ours for which fair value was obtained in the merger consideration.

The Settlement Agreement is subject to customary conditions, including Court of Chanery of the State of Delaware (the "Delaware Court") approval. There can be no assurance that the Delaware Court will approve the settlement in the Settlement Agreement. In such event, the proposed settlement as contemplated by the Settlement Agreement may be terminated. See Note 13 in the Notes to Unaudited Condensed Consolidated Financial Statements for additional information regarding our relationship with Enterprise Products Partners, including information related to the proposed merger. See Note 15 in the Notes to Unaudited Condensed Consolidated Financial Statements for additional information related to the Merger Action and the Derivative Action, including the Settlement Agreement.

The foregoing description of the Settlement Agreement is qualified in its entirety by reference to the full and complete terms of the Settlement Agreement, which is filed with this Quarterly Report as Exhibit 10.3.

***Termination of Transitional Operating Agreement; Entry into Consulting Agreement***

Effective August 1, 2009, personnel providing services to us under the transitional operating agreement with Cenac Towing Co., L.L.C., Cenac Offshore, L.L.C. and Mr. Arlen B. Cenac, Jr. became employees of EPCO, and the transitional operating agreement was terminated. Concurrently with the termination, TEPPCO Marine Services entered into a two-year consulting agreement with Mr. Cenac and Cenac Marine Services, L.L.C. under which Mr. Cenac has agreed to supervise TEPPCO Marine Services' day-to-day operations on a part-time basis and, at TEPPCO Marine Services' request, provide related management and transitional services. The agreement entitles Mr. Cenac to $500,000 per year in fees, plus a one-time retainer of $200,000. The consulting agreement contains noncompetition and nonsolitation provisions similar to those contained in the transitional operating agreement, which apply until the expiration of the two-year period following the date of last service provided under the consulting agreement.

The foregoing description of the consulting agreement is qualified in its entirety by reference to the full and complete terms of such agreement, which is filed with this Quarterly Report as Exhibit 10.6.

***Borrowing under Revolving Credit Facility***

On August 4, 2009, we submitted a request for borrowings under our Revolving Credit Facility expected to be received on August 7, 2009 in an aggregate amount of $95.9 million. Such borrowings will be used to pay the $91.6 million aggregate amount of our previously disclosed cash distribution on our outstanding Units with respect to the quarter ended June 30, 2009 and for general partnership purposes. Immediately following the payment of such distribution, we expect to have approximately $820 million principal amount outstanding under our Revolving Credit Facility.

For a description of the terms and conditions of our Revolving Credit Facility, as amended to date, please see Note 12 in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2008 (our "2008 10-K"), which description is incorporated herein by reference. The Revolving Credit Facility and the amendments and supplements thereto to date, are filed as Exhibits 10.42 through 10.49 to our 2008 10-K. For further discussion of our quarterly distribution payments, see Note 11 in the Notes to Unaudited Condensed Consolidated Financial Statements included in this Quarterly Report.

**Item 6.** ***Exhibits*****.**

| Exhibit Number | Exhibit |
|---|---|
| 2.1 | Agreement and Plan of Merger, dated as of June 28, 2009, by and among Enterprise Products Partners L.P., Enterprise Products GP, LLC, Enterprise Sub B LLC, TEPPCO Partners, L.P. and Texas Eastern Products Pipeline Company, LLC (Filed as Exhibit 2.1 to the Current Report on Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) filed on June 29, 2009 and incorporated herein by reference). |
| 2.2 | Agreement and Plan of Merger, dated as of June 28, 2009 by and among Enterprise Products Partners L.P., Enterprise Products GP, LLC, Enterprise Sub A LLC, TEPPCO Partners, L.P. and Texas Eastern Products Pipeline Company, LLC (Filed as Exhibit 2.2 to the Current Report on Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) filed on June 29, 2009 and incorporated herein by reference). |
| 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 | Fourth Amended and Restated Agreement of Limited Partnership of TEPPCO Partners, L.P., dated December 8, 2006 (Filed as Exhibit 3 to the Current Report on Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) filed on December 13, 2006 and incorporated herein by reference). |
| 3.3 | First Amendment to Fourth Amended and Restated Partnership Agreement of TEPPCO Partners, L.P. dated as of December 27, 2007 (Filed as Exhibit 3.1 to Current Report on Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) filed December 28, 2007 and incorporated herein by reference). |
| 3.4 | Amendment No. 2 to the Fourth Amended and Restated Agreement of Limited Partnership of TEPPCO Partners, L.P., dated as of November 6, 2008 (Filed as Exhibit 3.5 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2008 and incorporated herein by reference). |
| 3.5 | Amended and Restated Limited Liability Company Agreement of Texas Eastern Products Pipeline Company, LLC (Filed as Exhibit 3 to the Current Report on Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) filed on May 10, 2007 and incorporated herein by reference). |
| 3.6 | First Amendment to the Amended and Restated Limited Liability Company Agreement of Texas Eastern Products Pipeline Company, LLC, dated as of November 6, 2008 (Filed as Exhibit 3.6 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2008 and incorporated herein by reference). |
| 4.1 | Form of Certificate representing Limited Partner Units (Filed as Exhibit 4.4 to the Form S-3 of TEPPCO Partners, L.P. filed on September 3, 2008 (Commission File No. 1-10403) and incorporated herein by reference). |
| 4.2 | 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). |
| 4.3 | 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). |
| 4.4 | Second Supplemental Indenture, dated as of June 27, 2002, among TEPPCO Partners, L.P., as issuer, TE Products Pipeline Company, Limited Partnership, TCTM, L.P., TEPPCO Midstream Companies, L.P., and Jonah Gas Gathering Company, as Initial Subsidiary Guarantors, and Val Verde Gas Gathering Company, L.P., as New Subsidiary Guarantor, and Wachovia Bank, National Association, formerly known as First Union National Bank, as trustee (Filed as Exhibit |

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|---|---|
| | 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). |
| 4.5 | Third Supplemental Indenture among TEPPCO Partners, L.P. as issuer, TE Products Pipeline Company, Limited Partnership, TCTM, L.P., TEPPCO Midstream Companies, L.P., Jonah Gas Gathering Company and Val Verde Gas Gathering Company, L.P. as Subsidiary Guarantors, and Wachovia Bank, National Association, as trustee, dated as of January 30, 2003 (Filed as Exhibit 4.7 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference). |
| 4.6 | Full Release of Guarantee dated as of July 31, 2006 by Wachovia Bank, National Association, as trustee, in favor of Jonah Gas Gathering Company (Filed as Exhibit 4.8 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2006 and incorporated herein by reference). |
| 4.7 | Indenture, dated as of May 14, 2007, by and among TEPPCO Partners, L.P., as issuer, TE Products Pipeline Company, Limited Partnership, TCTM, L.P., TEPPCO Midstream Companies, L.P. and Val Verde Gas Gathering Company, L.P., as subsidiary guarantors, and The Bank of New York Trust Company, N.A., as trustee (Filed as Exhibit 99.1 to the Current Report on Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) filed on May 15, 2007 and incorporated herein by reference). |
| 4.8 | First Supplemental Indenture, dated as of May 18, 2007, by and among TEPPCO Partners, L.P., as issuer, TE Products Pipeline Company, Limited Partnership, TCTM, L.P., TEPPCO Midstream Companies, L.P. and Val Verde Gas Gathering Company, L.P., as subsidiary guarantors, and The Bank of New York Trust Company, N.A., as trustee (Filed as Exhibit 4.2 to the Current Report on Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) filed on May 18, 2007 and incorporated herein by reference). |
| 4.9 | Second Supplemental Indenture, dated as of June 30, 2007, by and among TEPPCO Partners, L.P., as issuer, TE Products Pipeline Company, Limited Partnership, TCTM, L.P., TEPPCO Midstream Companies, L.P. , Val Verde Gas Gathering Company, L.P., TE Products Pipeline Company, LLC and TEPPCO Midstream Companies, LLC, as subsidiary guarantors, and The Bank of New York Trust Company, N.A., as trustee (Filed as Exhibit 4.2 to the Current Report on Form 8-K of TE Products Pipeline Company, LLC (Commission File No. 1-13603) filed on July 6, 2007 and incorporated herein by reference). |
| 4.10 | Fourth Supplemental Indenture, dated as of June 30, 2007, by and among TEPPCO Partners, L.P., as issuer, TE Products Pipeline Company, Limited Partnership, TCTM, L.P., TEPPCO Midstream Companies, L.P., Val Verde Gas Gathering Company, L.P., TE Products Pipeline Company, LLC and TEPPCO Midstream Companies, LLC, as subsidiary guarantors, and U.S. Bank National Association, as trustee (Filed as Exhibit 4.3 to the Current Report on Form 8-K of TE Products Pipeline Company, LLC (Commission File No. 1-13603) filed on July 6, 2007 and incorporated herein by reference). |
| 4.11 | Fifth Supplemental Indenture, dated as of March 27, 2008, by and among TEPPCO Partners, L.P., as issuer, TE Products Pipeline Company, LLC, TCTM, L.P., TEPPCO Midstream Companies, LLC, and Val Verde Gathering Company, L.P., as subsidiary guarantors, and U.S. Bank National Association, as trustee (Filed as Exhibit 4.11 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 2008 and incorporated herein by reference). |
| 4.12 | Sixth Supplemental Indenture, dated as of March 27, 2008, by and among TEPPCO Partners, L.P., as issuer, TE Products Pipeline Company, LLC, TCTM, L.P., TEPPCO Midstream Companies, LLC and Val Verde Gas Gathering Company, L.P., as subsidiary guarantors, and U.S. Bank National Association, as trustee (Filed as Exhibit 4.12 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 2008 and incorporated herein by reference). |
| 4.13 | Seventh Supplemental Indenture, dated as of March 27, 2008, by and among TEPPCO Partners, L.P., as issuer, TE Products Pipeline Company, LLC, TCTM, L.P., TEPPCO Midstream Companies, LLC and Val Verde Gas Gathering Company, L.P., as subsidiary guarantors, and U.S. Bank National Association, as trustee (Filed as Exhibit 4.13 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 2008 and incorporated herein by reference). |

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| 4.14 | Replacement of Capital Covenant, dated May 18, 2007, executed by TEPPCO Partners, L.P., TE Products Pipeline Company, Limited Partnership, TCTM, L.P., TEPPCO Midstream Companies, L.P. and Val Verde Gas Gathering Company, L.P. in favor of the covered debt holders described therein (Filed as Exhibit 99.1 to the Current Report on Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) filed on May 18, 2007 and incorporated herein by reference). |
| 10.1* | Second Amendment to Transitional Operating Agreement between Cenac Towing Co., L.L.C., Cenac Offshore, L.L.C., CTCO Benefits Services, L.L.C., Mr. Arlen B. Cenac, Jr., and TEPPCO Marine Services, LLC, effective as of June 5, 2009. |
| 10.2 | Memorandum of Understanding, dated June 28, 2009 (Filed as Exhibit 10.1 to the Current Report on Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) filed on June 29, 2009 and incorporated herein by reference). |
| 10.3* | Stipulation and Agreement of Compromise, Settlement and Release, dated August 5, 2009. |
| 10.4* | Loan Agreement, dated August 5, 2009, by and between Enterprise Products Operating, LLC, as Lender, and TEPPCO Partners, L.P., as Borrower. |
| 10.5* | Termination of Transitional Operating Agreement between Cenac Towing Co., L.L.C., Cenac Offshore, L.L.C., CTCO Benefits Services, L.L.C., Mr. Arlen B. Cenac, Jr., and TEPPCO Marine Services, LLC, effective as of July 31, 2009. |
| 10.6* | Consulting Agreement Between TEPPCO Marine Services, LLC and Cenac Marine Services, L.L.C., effective as of August 1, 2009. |
| 12.1* | Statement of Computation of Ratio of Earnings to Fixed Charges. |
| 31.1* | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), promulgated under the Securities Exchange Act of 1934, as amended. |
| 31.2* | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), promulgated under the Securities Exchange Act of 1934, as amended. |
| 32.1** | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2** | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

* Filed herewith.
** Furnished herewith pursuant to Item 601(b)-(32) of Regulation S-K.
+ A management contract or compensation plan or arrangement.

**SIGNATURES**

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

TEPPCO Partners, L.P.

By: /s/ JERRY E. THOMPSON
Jerry E. Thompson,
President and Chief Executive Officer of
Texas Eastern Products Pipeline Company, LLC, General Partner

Date: August 6, 2009

By: /s/ TRACY E. OHMART
Tracy E. Ohmart,
Acting Chief Financial Officer, Controller, Assistant Secretary
and Assistant Treasurer of
Texas Eastern Products Pipeline Company, LLC, General Partner

Date: August 6, 2009

**Exhibit 10.1**

***SECOND AMENDMENT TO TRANSITIONAL OPERATING AGREEMENT***

This Second Amendment to Transitional Operating Agreement (the "Amendment") is made and entered into effective as of June 5, 2009, by and between **CENAC TOWING CO., L.L.C.** (successor by way of merger to Cenac Towing Co., Inc.), (hereinafter referred to as "Cenac Towing"); **CENAC OFFSHORE, L.L.C.,** a Louisiana limited liability company ("Cenac Offshore"); **CTCO BENEFITS SERVICES, L.L.C.,** a Louisiana limited liability company ("CTCO") (collectively, the "Cenac Companies"); **MR. ARLEN B. CENAC, JR.,** a resident of Houma, Louisiana and the owner of all of the Membership and equity interests in the Cenac Companies, (the "Stockholder"); and together with the Cenac Companies, (the "Operators"); and **TEPPCO MARINE SERVICES, LLC,** a Delaware limited liability company, (the "Owner").

***WHEREAS,*** the Owner and the Operators, other than CTCO, entered into that certain Transitional Operating Agreement (the "Transitional Operating Agreement") on February 1, 2008 under which the Operators agreed to provide certain services relating to marine vessels and related property all as more particularly described in that Transitional Operating Agreement;

***WHEREAS,*** the Owner and the Operators entered into that certain Amended to Transitional Operating Agreement dated effective March 5, 2009, amending the Transitional Operating Agreement to make CTCO a party thereto as one of the Operators and as one of the Cenac Companies (the Transitional Operating Agreement, as amended, being hereinafter referred to as the "Agreement"); and

***WHEREAS,*** the Owner and the Operators desire to amend the Agreement to add certain marine vessels and related property for which Operators shall provide services to Owner.

***NOW THEREFORE,*** in consideration of the premises and the mutual benefits to be derived by each party hereto, the parties hereto agree to amend the Agreement as follows:

1. The term "Purchased Operations" is hereby deleted and the following substituted in lieu thereof:

    "Purchased Operations" means the Purchased Assets, the Assumed Liabilities any other marine vessels and related property assets or rights acquired after the date hereof by the Owner from the Operators or their Affiliates, any property assets or rights acquired by the Operators hereunder the Owner funds or for which they were reimbursed by the Owner, and the TransMontaigne Assets.

2. Section 1.1 of the Agreement is hereby amended by adding the following definition thereto:

   "TransMontaigne Assets" means the marine vessels and related property assets or rights acquired by Owner from TransMontaigne Product Services Inc. on or about June 5, 2009."

3. Section 2.1 of the Agreement is hereby amended by adding the following Subsection thereto:

   "(g) Notwithstanding anything to the contrary that may be expressed or implied herein, during the term of this Agreement and subject to and in accordance with the terms hereof and the standards set forth, solely with respect to the TransMontaigne Assets the Services to be provided by the Operators shall be expressly limited to supervising the day-to-day operations of the TransMontaigne Assets." In particular, Owner at its expense shall employ, retain and compensate, including salaries, wages, social security taxes, worker compensation insurance, retirement and insurance, benefits, all employees necessary to operate the TransMontaigne Assets.

4. Section 3.1 of the Agreement is hereby amended by adding the following sentence thereto:

   "Additionally, the Owner shall have no responsibility for, and shall not reimburse or pay, any Direct Costs or Overhead Costs related to the Services provided for the TransMontaigne Assets, except for Direct Costs described in Exhibit B, Paragraphs 4(c), (d), (e) and (f)."

5. All terms, conditions and provisions of the Agreement are continued in full force and effect and shall remain unaffected and unchanged except as specifically amended hereby. The Agreement, as amended hereby, is hereby ratified and reaffirmed by the parties hereto who specifically acknowledge the validity and enforceability thereof.

6. This Amendment may be executed in any number of counterparts with the same effect as if all parties had signed the same document. All counterparts shall be construed together and shall constitute one and the same instrument.

7. This Amendment constitutes the entire agreement of the parties relating to the matters contained herein, superseding all prior contracts or agreements among the partiers, whether oral or written, relating to the matters contained herein.

***IN WITNESS WHEREOF,*** the Agreement has been duly executed to be effective on the date first above written.

TEPPCO MARINE SERVICES, LLC

BY: /s/ Patricia A. Totten
Name: PATRICIA A. TOTTEN
Title: Vice President

CENAC TOWING CO., L.L.C

BY: /s/ Arlen B. Cenac, Jr.
ARLEN B. CENAC, JR.
Managing Member

CENAC OFFSHORE, L.L.C.

BY: /s/ Arlen B. Cenac, Jr.
ARLEN B. CENAC, JR.
Managing Member

CTCO BENEFITS SERVICES, L.L.C.

BY: /s/ Arlen B. Cenac, Jr.
ARLEN B. CENAC, JR.
Managing Member

/s/ Arlen B. Cenac, Jr.
ARLEN B. CENAC, JR.

**IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE**

| | | |
|---|---|---|
| PETER BRINCKERHOFF, Individually and on Behalf of All Others Similarly Situated, and Derivatively on Behalf of Teppco Partners, LP,<br><br>Plaintiff,<br>v.<br><br>TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC; ENTERPRISE PRODUCTS PARTNERS, L.P.; ENTERPRISE PRODUCTS GP, LLC; EPCO, INC.; DAN L. DUNCAN; JERRY E. THOMPSON; W. RANDALL FOWLER; MICHAEL A. CREEL; RICHARD H. BACHMANN; RICHARD S. SNELL; MICHAEL B. BRACY; and MURRAY H. HUTCHISON,<br><br>Defendants,<br><br>and<br><br>TEPPCO PARTNERS, L.P.,<br><br>Nominal Defendant. | ) | C.A. No. 2427-VCL |

0;

| | | |
|---|---|---|
| IN RE TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC, MERGER LITIGATION | ) | C.A. No. 4548-VCL |

**STIPULATION AND AGREEMENT OF**
**COMPROMISE, SETTLEMENT AND RELEASE**

The parties to the above-captioned civil actions (the “Actions”), by and through their attorneys, hereby enter into the following Stipulation and Agreement of Compromise, Settlement and Release (the “Stipulation”), subject to the approval of the Court:

WHEREAS:

A. On September 18, 2006, Peter Brinckerhoff ("Brinckerhoff" or "Derivative Plaintiff") filed a derivative and class action complaint in the Delaware Court of Chancery challenging certain transactions entered into between affiliates of nominal defendant TEPPCO Partners, L.P. ("TEPPCO") and Enterprise Products Partners, L.P. ("EPD") and certain proxy disclosures of TEPPCO (the "Derivative Action").

B. Derivative Plaintiff held approximately 38,400 TEPPCO units.

C. On September 22, 2006, Derivative Plaintiff filed an initial document request and a motion to expedite and requested that the Court set a hearing for a preliminary injunction.

D. In response to the litigation, on October 5, 2006, TEPPCO filed a Form 8-K containing supplemental disclosures with respect to its proxy solicitation. As a result, Derivative Plaintiff did not pursue a preliminary injunction.

E. On November 17, 2006, all defendants except the nominal defendant moved to dismiss the complaint in its entirety.

F. On July 12, 2007, Derivative Plaintiff filed an Amended Class and Derivative Complaint (the "Amended Complaint").

G. On September 28, 2007, defendants moved to dismiss Count III of the Amended Complaint, which constituted Derivative Plaintiff's class action claims related to TEPPCO's proxy solicitation, and certain defendants moved to dismiss Count I of the Amended Complaint as against them related to the transactions between affiliates of TEPPCO and EPD.

H. During the pendency of the motions to dismiss, Derivative Plaintiff voluntarily dismissed claims relating to a certain transaction against defendant Thompson because he was not a director of TEPPCO at the time of the transaction.

I. After briefing and oral argument on the motions to dismiss, the Court issued a Memorandum Opinion on November 25, 2008, dismissing Count III of the Amended Complaint, but denied the motions to dismiss Count I of the Amended Complaint.

J. Prior to and during the pendency of the motion to dismiss and following the Court's decision, the Derivative Plaintiff conducted extensive discovery of documents and witnesses on the derivative claims contained in Counts I and II of the Amended Complaint.

K. Derivative Plaintiff served four combined interrogatories and document requests on defendants; subpoenaed six third party witnesses, including Merrill Lynch, Pierce, Fenner & Smith, Inc., Goldman, Sachs & Co., EnCana Oil & Gas (USA), Inc., and Simmons & Company, International; reviewed over half a million pages of documents produced by defendants and third parties; identified and provided to defendants more than 650 exhibits to be potentially used at depositions; and deposed the Chairman of TEPPCO's Audit, Conflicts and Governance Committee, a representative of one financial advisor to the Committee, a senior Vice President of TEPPCO and EPD, TEPPCO's Director of Development and TEPPCO's Chief Financial Officer.

L. Derivative Plaintiff began depositions in November 2008 and took depositions in Maryland and Texas through January 2009. Also, in January 2009, Derivative Plaintiff's counsel agreed with defendants' counsel and various third parties to schedule thirteen (13) additional depositions in Texas, New York, Colorado and California so that all depositions would be completed prior to the discovery cut-off of April 30, 2009.

M. Derivative Plaintiff's counsel represent that they consulted with numerous experts and retained five experts in the fields of oil and gas, natural gas liquids, financial analysis, mergers, acquisitions and fairness opinions, and master limited partnerships.

N. In late January 2009, the parties agreed to mediation before one of the members of the Delaware Court of Chancery pursuant to Court of Chancery Rule 174. Vice Chancellor Lamb consented to joint requests that discovery be stayed for ninety (90) days, and Vice Chancellor Strine agreed to act as mediator. Mediation was set for April 16, 2009, and Vice Chancellor Strine ordered the parties to submit simultaneous opening and simultaneous answering mediation briefs.

O. Derivative Plaintiff submitted mediation briefs together with attached expert reports of two financial experts and a jointly agreed upon appendix of deposition exhibits and testimony. Derivative Plaintiff argued in the mediation briefs that defendants had breached the heightened standard of liability set forth in TEPPCO's partnership agreements. Derivative Plaintiff also submitted expert reports showing that Derivative Plaintiff's experts valued the derivative claims at approximately $700 million and, on a disgorgement of profits basis, at more than one billion dollars.

P. Defendants submitted mediation briefs together with attached expert reports. Defendants denied liability and argued that the derivative claims had no value, including that under the TEPPCO Partnership Agreement, TEPPCO's General Partner could engage in asset sales and joint ventures, including conflict of interest transactions, in its "sole discretion."

Q. In early April 2009, defendants' counsel advised Derivative Plaintiff's counsel of a possible merger transaction between EPD and TEPPCO and that, if such merger occurred, it might lead to a resolution of the Derivative Action. The parties agreed that the mediation be adjourned for sixty days.

R. The Audit, Conflicts and Governance Committee of the board of directors of TEPPCO's general partner, TEXAS Eastern Products Pipeline Company, LLC ("TEPPCO GP"),

appointed a special committee comprised of independent directors (the “Special Committee”) to consider the Merger Proposal. The Special Committee was comprised of a TEPPCO director who joined the TEPPCO GP Board more than a year after the Derivative Action had been filed, Donald H. Daigle and two new directors named to the TEPPCO GP’s Board in April 2009, Irvin Toole, Jr. and Duke R. Ligon, none of whom were defendants in the derivative action. The Special Committee retained independent legal and financial advisors.

S. On or about April 29, 2009, TEPPCO announced that it had received a proposal from EPD dated March 9, 2009 for the merger of TEPPCO with and into EPD in consideration of $1.00 in cash and 1.043 EPD units to be paid or issued by EPD for each of TEPPCO’s outstanding partnership units (the “Merger Proposal”), which represented at the time of the initial proposal $21.89 per TEPPCO unit, and that the Special Committee had rejected the proposal as inadequate.

T. Derivative Plaintiff’s counsel represents that following that announcement, along with Derivative Plaintiff, they reviewed analyst reports concerning the proposal and saw no analyst report projecting more than a 10% increase in the deal.

U. On April 29, 2009, Brinckerhoff filed a class action complaint in the Delaware Court of Chancery challenging the fairness of the offer and alleging that TEPPCO’s Special Committee would not fairly value the Derivative Action in connection with the Merger Proposal and that defendants would not provide unitholders with sufficient information about the Derivative Action to evaluate the Merger Proposal.

V. On April 29, 2009, Renee Horowitz (together with Brinckerhoff, “Plaintiffs”) filed a class action complaint in the Delaware Court of Chancery also challenging the fairness of the offer, which action was consolidated into the new Brinckerhoff action on May 11, 2009,

styled *Texas Eastern Products Pipeline Company, LLC, Merger Litigation,* C.A. No. 4548-VCL (the "Class Action").

W. On May 11, 2009, the law firm of Bragar Wexler Eagel & Squire, P.C. was designated as Plaintiffs' Lead Counsel in the Class Action and the law firm of Rosenthal, Monhait & Goddess, P.A., was designated as Delaware Liaison Counsel for Plaintiffs. In early May 2009, the Special Committee, and its advisors, met with Derivative Plaintiff, his attorneys, and one firm of Plaintiffs' financial experts in Houston to discuss Plaintiff's and his counsel's view of the merits of the Derivative Action. Prior to the meeting, the Special Committee was provided with Derivative Plaintiff's mediation briefs, expert reports and exhibits. For the meeting, Derivative Plaintiff's attorneys prepared a memorandum, charting from the mediation memoranda Derivative Plaintiff's arguments and defendants' responses, and setting forth Derivative Plaintiff's rebuttal arguments. Also, for the Special Committee, Derivative Plaintiff's counsel prepared a power point presentation summarizing Derivative Plaintiff's view of the applicable partnership contractual standards of liability and damages. Derivative Plaintiff, five of his attorneys, together with three of Derivative Plaintiff's attorneys' experts, participated in the presentation to the Special Committee. All members of the Special Committee, their counsel (including their Delaware counsel), and financial experts were present and posed questions to Derivative Plaintiff's attorneys and their experts.

X. Defendants represent that the Special Committee and its advisors conducted extensive negotiations with EPD.

Y. From and after May 2009, Derivative Plaintiff's counsel and the Special Committee's counsel were in regular communication. In discussions with counsel for the Special Committee, Derivative Plaintiff's counsel repeatedly urged that if the Special Committee

concluded that EPD refused to pay fair consideration for the Derivative Action, TEPPCO, prior to the merger, should transfer TEPPCO's claim to a litigation trust.

Z. On June 17, 2009, the Special Committee and its counsel engaged in a lengthy telephone discussion with the Derivative Plaintiff and Plaintiffs' counsel concerning the terms of, and the history of the negotiations for, the proposed merger. Derivative Plaintiff requested that the Special Committee request that EPD increase the distributions to be made on EPD units, the Special Committee requested that EPD increase the distributions to be made on EPD units, and EPD agreed to make certain representations (set forth below) regarding proposed distributions following the merger.

AA. On June 28, 2009, a merger agreement was executed by and among TEPPCO, EPD, TEPPCO GP, Enterprise Products GP, LLC, and Enterprise Sub B LLC (the "Merger Agreement" attached hereto as Exhibit A) whereby TEPPCO and TEPPCO GP will become wholly owned subsidiaries of EPD (the "Merger"). In consideration, TEPPCO unitholders, except for a certain affiliate of EPCO, Inc., will receive 1.24 EPD common units for each TEPPCO unit. An affiliate of EPCO, Inc. will exchange its 11,486,711 TEPPCO units for 14,243,521 EPD units, based on the 1.24 exchange rate, which will consist of 9,723,090 EPD common units and 4,520,431 EPD Class B units. The EPD Class B units will not be entitled to regular quarterly cash distributions for sixteen quarters following the closing of the Merger. Subject to market conditions, EPD expects to be able to continue its practice of increasing its distribution each quarter through 2011 by the higher of $0.0075 ($0.03 annualized) per common unit or 1.25% (5% annualized). The Class B units will convert automatically into the same number of common units on the date immediately following the payment date of the sixteenth distribution following the closing of the Merger.

BB. Also on June 28, 2009, following arm's-length negotiations, the parties entered into a memorandum of understanding ("MOU") based upon the Merger Agreement, pursuant to which the parties have agreed in principle to the settlement of the Actions. Prior to signing the MOU, Plaintiffs' attorneys arranged for one of their experts to examine certain financial materials prepared for the Special Committee. That expert reported to Plaintiffs' attorneys that, on a preliminary basis, the merger consideration appeared fair.

CC. Defendants have vigorously denied, and continue to deny, all liability with respect to the Actions, deny that they engaged in any wrongdoing, deny that they committed any violation of law, deny that they breached any fiduciary duties, deny that they acted improperly in any way, and deny liability of any kind to Plaintiffs or to members of the Class (as defined below), TEPPCO, or any of its unitholders. Defendants have agreed to the settlement and dismissal of the Actions on the merits and with prejudice to (i) avoid further expense; (ii) dispose of potentially burdensome, uncertain and protracted litigation; (iii) finally put to rest all claims the Plaintiffs, the members of the Class, TEPPCO and its unitholders may have arising out of the Actions; and (iv) permit TEPPCO and its officers and directors to pursue its business without collateral involvement in ongoing litigation.

DD. Plaintiffs, through their counsel, have made a comprehensive and thorough investigation of the claims and allegations asserted in the Actions, as well as the facts and circumstances relevant to the Actions, including carefully reviewing relevant documents; conducting factual and legal research concerning the viability of Plaintiffs' claims; and carefully analyzing the fairness and adequacy of the terms of the settlement and this Stipulation. While Plaintiffs believe that the claims asserted in the Actions have merit, they also believe that the Settlement provided for herein provides substantial benefits to the Class (as defined below),

TEPPCO and its unitholders. In addition to the substantial benefits provided by the settlement of the Actions to the Class, TEPPCO and its unitholders, Plaintiffs and their counsel have considered: (i) the facts developed through their investigation; (ii) the standards for liability set forth in TEPPCO's limited partnership agreement; (iii) the attendant risks of litigation and the uncertainty of the outcome of the Actions; (iv) the substantial cost to TEPPCO of continuing the litigation; (v) the desirability of permitting the settlement to be consummated as provided by the terms of this Stipulation; and (vi) the conclusion of Plaintiffs and their counsel that, under the circumstances, the terms and conditions of the settlement are fair, reasonable and adequate and that it is in the best interest of Plaintiffs, the members of the Class, TEPPCO and its unitholders to settle the Actions as set forth in the Stipulation. In light of these considerations, Plaintiffs, through their counsel, have determined that it is in the best interests of the Plaintiffs, the members of the Class, TEPPCO and its unitholders to settle the Actions on the terms set forth in this Stipulation.

EE. Counsel for the parties have engaged in arm's-length negotiations concerning a possible settlement of the Actions, and concerning Plaintiffs' request for fees and disbursements.

FF. Counsel for Plaintiffs intend to apply for an award of fees and reimbursement of expenses in connection with the Actions based upon the value of the benefits the Derivative Action provided to TEPPCO. In his retainer with Derivative Plaintiff's attorneys, Derivative Plaintiff agreed that such attorneys could apply to the Court for an award of thirty percent of the benefit obtained plus reimbursement of expenses.

**NOW, THEREFORE, IT IS STIPULATED AND AGREED**, subject to the approval of the Court, to the complete discharge, dismissal with prejudice, settlement and release of, and an injunction barring, all claims, demands, rights, actions or causes of action, rights, liabilities,

damages, losses, obligations, judgments, suits, matters and issues of any kind or nature whatsoever, whether known or unknown, contingent or absolute, suspected or unsuspected, disclosed or undisclosed, hidden or concealed, matured or unmatured, that have been, could have been, or in the future can or might be asserted in the Class Action or Derivative Action or in any court, tribunal or proceeding (including, but not limited to, any claims arising under federal or state law relating to alleged fraud, breach of any duty, negligence, violations of the federal securities laws or otherwise) by or on behalf of any member of the Class (as defined below), TEPPCO or TEPPCO's unitholders that owned securities of TEPPCO continuously from the time the claims in the Derivative Action arose through to the present, whether individual, class, derivative, representative, legal, equitable or any other type or in any other capacity against defendants (or any one of them) in the Actions or any of their families, parent entities, general partners, associates, affiliates, or subsidiaries and each and all of the respective past, present or future officers, directors, unitholders, stockholders, partners, members, representatives, employees, financial or investment advisors, consultants, accountants, attorneys, investment bankers, commercial bankers, advisors or agents, heirs, executors, trustees, general or limited partners or partnerships, personal representatives, estates, administrators, predecessors, successors and assigns of the defendants (or any one of them) in the Actions or any of their families, parent entities, general partners, associates, affiliates or subsidiaries (collectively, the "Released Persons") which have arisen, could have arisen, arise now or hereafter arise out of, or relate in any manner to the allegations, facts, events, transactions, acts, occurrences, statements, representations, misrepresentations, omissions or any other matter, thing or cause whatsoever, or any series thereof, embraced, involved, set forth or otherwise related to the Class Action or Derivative Action, or any allegations in the complaints or amended complaints in the Actions, to the Merger or the consideration or implementation of the Merger, or to any proxy statement, any

supplement thereto, or any disclosures contained therein issued in connection with the Merger (the "Settled Claims"), provided however, that Settled Claims shall not include any claims to enforce the Settlement. Further, any legal or equitable claims or rights of recovery of any of the defendants against any other of the defendants related to the Actions, whether arising under 10 Del. C. § 6301, et. seq., or otherwise, excepting only such claims for advancement of and/or indemnification for attorneys' fees and expenses as any individual defendants may have are completely discharged, dismissed with prejudice, settled and released. Additionally, all Settled Claims held on or on behalf of Plaintiffs and the Class are completely discharged and released against all defendants' insurers.

**MERGER CONSIDERATION AND VOTE**

1. EPD will, in the Merger, exchange 1.24 EPD Common Units for each outstanding limited partnership unit of TEPPCO (the "Merger Consideration"), other than the Designated TEPPCO Common Units defined below. Further, one or more privately held affiliates of EPCO shall receive in the Merger in exchange for 3,645,509 limited partnership units of TEPPCO held by such affiliate or affiliates ("Designated TEPPCO Common Units") 4,520,431 Class B units of EPD, which Class B units, by their terms, will receive no cash distributions for sixteen quarters following the closing date of the Merger. The board of directors of TEPPCO GP shall recommend to TEPPCO's unitholders that they approve the Merger Agreement and, subject to certain fiduciary exceptions set forth in the Merger Agreement, TEPPCO GP shall use its reasonable best efforts to seek unitholder approval as soon as practicable, including providing proxy materials to TEPPCO's unitholders, which shall include a description of the Settlement, and scheduling a unitholder vote. Approval of the Merger Agreement shall require, in addition to votes required under the TEPPCO partnership agreement, the affirmative vote of at least a majority of the votes cast by the holders of outstanding limited partnership units of TEPPCO, excluding those held by defendants to the

Derivative Action and DD Securities LLC, DFI GP Holdings, L.P., Enterprise GP Holdings L.P., Duncan Family Interests, Inc., and Duncan Family 2000 Trust.

2. While Defendants in the Derivative Action have denied and continue to deny they have committed or attempted to commit any violations of law or breached any duty owed to TEPPCO or its unitholders, the Derivative Action was considered by the Special Committee to be a significant asset of TEPPCO for which fair value was sought and obtained in the merger consideration. During the negotiations, the Special Committee advised EPD that EPD had not sufficiently valued the Derivative Action and, thereafter, EPD increased the Merger consideration. The derivative claims and the presentation by Derivative Plaintiff, his counsel and their experts provided substantial assistance to the Special Committee in negotiating the increase in the merger consideration.

**CLASS CERTIFICATION**

3. For purposes of settlement only, the parties agree that the Class Action shall be maintained as a class action pursuant to Court of Chancery Rules 23(b)(1) and (b)(2) on behalf of a class consisting of all record and beneficial holders of limited partnership units of TEPPCO during the period beginning on and including the close of business on March 9, 2009 (the date of the initial Merger Proposal) through and including the date of the closing of the Merger, including any and all of their respective successors in interest, predecessors, representatives, trustees, executors, administrators, heirs, assigns or transferees, immediate and remote, and any person or entity acting for or on behalf of, or claiming under any of them, and each of them (the "Class").

**SUBMISSION AND APPLICATION TO THE COURT**

4. As soon as practicable after this Stipulation has been executed, the parties shall apply jointly for a scheduling order substantially in the form attached hereto as Exhibit B (the "Scheduling Order") that provides for the mailing to the TEPPCO unitholders and the Class of a Notice of Settlement substantially in the form attached hereto as Exhibit C (the "Notice").

5. If, following a hearing, the Court approves the Settlement (including any modification thereto made with the consent of the parties as provided for herein) as fair, reasonable and adequate and in the best interests of the Class, TEPPCO and its unitholders, the parties shall jointly request the Court to enter an Order and Final Judgment substantially in the form attached hereto as Exhibit D (the "Judgment").

**CONDITIONS OF SETTLEMENT**

6. This Stipulation shall be null and void and of no force and effect if (i) the Court does not approve the mailing of Notice which sets forth the terms of the settlement to TEPPCO unitholders; (ii) the Merger is not consummated; or (iii) the parties are unable to obtain final Court certification of the Class, Final Court Approval (defined below) of the Settlement, and dismissal of the Actions with prejudice and without awarding costs to any party except as determined in paragraph 9 and 10.

7. In the event the Merger is not consummated or the Settlement does not become final for any reason, the parties will be placed in the positions they held on June 28, 2009 prior to the execution of the MOU.

**FINAL COURT APPROVAL**

8. The approval by the Court of the Settlement proposed by this Stipulation shall be considered final for purposes of this Stipulation ("Final Court Approval") upon the expiration of the later of (i) the time for the filing or noticing of an appeal or motion for

reargument from the Court's judgment approving the Settlement; (ii) the date of final affirmance on any appeal or reargument; or (iii) the final dismissal of any appeal.

**ATTORNEYS' FEES**

9. Plaintiffs and their counsel intend to petition the Court for an award of reasonable fees not to exceed $17,500,000 (including $100,000 as a special award for Derivative Plaintiff in connection with the Actions for his services over and above the customary responsibilities of a derivative and class representative) and reimbursement of reasonable expenses (paid or obligated to pay) not to exceed $1,500,000 (the "Fee Application"). Plaintiffs and their counsel will not seek fees or expenses in excess of the Fee Application. Defendants will not oppose the Fee Application in the amounts stated above. Final resolution by the Court of the Fee Application shall not be a precondition to the dismissal of the Actions in accordance with the Stipulation, and the Fee Application may be considered separately from the proposed Settlement of the Actions. Fees and expenses awarded by the Court in the Actions to Plaintiffs' counsel or a special award to Derivative Plaintiff in the Actions shall be paid by TEPPCO and/or any insurer for any of the Defendants within ten (10) business days after the later of (1) fulfillment of all of the conditions to the Settlement or (2) the date of the Court's order approving the Fee Application. Defendants expect that Plaintiffs' legal fees and expenses, as awarded by the Court, will be reimbursed by defendants' insurance.

**NOTICE**

10. The Notice of the Proposed Settlement shall be provided to TEPPCO unitholders and the Class by TEPPCO at its expense pursuant to Court of Chancery Rules 23(e) and 23.1(c).

**EFFECT OF RELEASE**

11. The release contemplated by the Stipulation shall extend to the claims that the parties granting the release (the "Releasing Parties") do not know or suspect to exist at the time of the release, which if known, might have affected the Releasing Parties' decision to enter into the release. The Releasing Parties shall be deemed to relinquish, to the extent applicable, and to the full extent permitted by law, the provisions, rights and benefits of Section 1542 of the California Civil Code. The Releasing Parties shall be deemed to waive any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to California Civil Code Section 1542.

12. While retaining their right to deny liability, the Actions are being settled voluntarily by defendants after consultation with competent legal counsel.

**STAY OF PROCEEDINGS**

13. Pending final approval of this Settlement, Plaintiffs and their counsel will not file any motion for a preliminary injunction or other interim equitable relief relating to the Merger. All proceedings in the Actions shall be stayed except as provided in this agreement.

**STIPULATION NOT AN ADMISSION**

14. This Stipulation and all negotiations, statements and proceedings in connection therewith shall not in any event be construed, or deemed to be evidence of, an admission or concession on the part of the Plaintiffs, defendants, any member of the Class, TEPPCO and its unitholders or any other person, of any liability or wrongdoing by them, or any of them or as to any claim alleged or asserted in the Actions, and shall not be offered or received in evidence in any action or proceeding, or be used in any way as an admission, concession or evidence of any liability or wrongdoing of any nature, and shall not be construed as, or deemed

to be evidence of, an admission or concession that Plaintiffs, their counsel, any member of the Class, TEPPCO or any other present or former unitholder of TEPPCO, or any other person, has or has not suffered any damage, as a result of the facts described in the Amended Complaint herein, except in an action or proceeding to enforce the terms and conditions of this Stipulation.

15. Defendants have denied and continue to deny they have committed or attempted to commit any violations of law or breached any duty owed to TEPPCO or its unitholders.

**ENTIRE AGREEMENT; AMENDMENTS; EXTENSIONS**

16. Without further order of the Court, the parties may agree to reasonable extensions of time to carry out any of the provisions of this Stipulation.

17. This Stipulation constitutes the entire agreement among the parties with respect to the subject matter hereof, and may only be amended or any of its provisions waived by a writing executed by all parties hereto.

18. This Stipulation, and all rights and powers granted hereby, will bind and inure to the benefit of the parties hereto and their respective agents, executors, heirs, successors and assigns.

**WAIVER**

19. Any failure by any party to insist upon the strict performance by any other party of any of the provisions of this Stipulation shall not be deemed a waiver of any of the provisions hereof, and such party, notwithstanding such failure, shall have the right thereafter to insist upon the strict performance of any and all of the provisions of this Stipulation to be performed by such other party.

**COUNTERPARTS**

20. This Stipulation may be executed in two or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when such counterparts have been signed by each of the parties and delivered to the other parties. Signed signature pages of this Stipulation may be delivered by electronic or facsimile transmission, which will constitute complete delivery without any necessity for delivery of originally signed signature pages in order for this to constitute a binding agreement.

**GOVERNING LAW; FORUM SELECTION**

21. This Stipulation shall be construed and enforced in accordance with the laws of the State of Delaware, without regard to the conflict of law provisions thereof. Any action to enforce or challenge the provisions of this Stipulation shall be filed exclusively in the courts of the State of Delaware and in no other court. Additionally, the parties agree to waive any claim of any right to trial by jury with respect to any action to enforce or challenge the provisions of this Stipulation.

**BEST EFFORTS**

22. The parties agree to take all reasonable and necessary steps to expeditiously implement the terms of this Stipulation and to complete the Settlement.

**AUTHORITY**

23. Each of the attorneys executing this Stipulation on behalf of one or more parties hereto warrants and represents that he or she has been duly authorized and empowered to execute this Stipulation on behalf of each such respective party.

## NON-ASSIGNMENT OF CLAIMS

24. Plaintiffs and their counsel represent and warrant that (i) Plaintiffs are members of the Class, and (ii) none of the Plaintiffs' claims or causes of action in the Actions has been assigned, encumbered or in any manner transferred in whole or in part.

[SIGNATURE PAGES FOLLOW]

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& GODDESS, P.A.

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*Attorneys for Defendants Richard S. Snell, Michael B. Bracy, Murray H. Hutchison, Jerry E. Thompson and Texas Eastern Products Pipeline Company, LLC*

ASHBY & GEDDES

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Dated: August 5, 2009

POTTER ANDERSON & CORROON LLP

/s/ Mark A. Morton
Donald J. Wolfe, Jr. (#285)
Mark A. Morton (#2765)
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Wilmington, DE 19899-0951
(302) 984-6015
*Attorneys for Defendants Donald H. Daigle, Duke R. Ligon and Irvin Toole, Jr.*

# EXHIBIT A

**(Incorporated by Reference to Exhibit 2.1 to the Form 8-K filed by TEPPCO Partners, L.P. with the Securities and Exchange Commission on June 29, 2009)**

# EXHIBIT B

**IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE**

| | |
|---|---|
| PETER BRINCKERHOFF, Individually and on Behalf of All Others Similarly Situated, and Derivatively on Behalf of Teppco Partners, LP,<br><br>Plaintiff,<br><br>v.<br><br>TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC; ENTERPRISE PRODUCTS PARTNERS, L.P.; ENTERPRISE PRODUCTS GP, LLC; EPCO, INC.; DAN L. DUNCAN; JERRY E. THOMPSON; W. RANDALL FOWLER; MICHAEL A. CREEL; RICHARD H. BACHMANN; RICHARD S. SNELL; MICHAEL B. BRACY; and MURRAY H. HUTCHISON,<br><br>Defendants,<br><br>and<br><br>TEPPCO PARTNERS, L.P.,<br><br>Nominal Defendant. | C.A. No. 2427-VCL |
| IN RE TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC, MERGER LITIGATION | C.A. No. 4548-VCL |

**SCHEDULING ORDER FOR APPROVAL**
**OF SETTLEMENT OF CLASS AND DERIVATIVE ACTIONS**

The parties to the above-captioned actions (the “Actions”) having applied for an Order determining certain matters in connection with the proposed settlement of the Actions (the “Settlement”), in accordance with the Stipulation and Agreement of Compromise, Settlement and Release entered into by the parties, dated August 5, 2009 (the “Stipulation”), and for

dismissal of the Actions upon the terms and conditions set forth in the Stipulation, the terms and definitions of which are incorporated by reference herein;

NOW, upon consent of the parties, after review and consideration of the Stipulation filed with the Court and the Exhibits annexed thereto, and after due deliberation,

IT IS HEREBY ORDERED this ______ day of __________________, 2009, that:

1. For purposes of settlement only, the Class Action (as defined in the Stipulation), pending the Settlement Hearing (defined below), shall be maintained as a class action pursuant to Court of Chancery Rules 23(b)(1) and (b)(2) on behalf of a class consisting of all record and beneficial holders of limited partnership units of TEPPCO Partners, L.P. ("TEPPCO") during the period beginning on and including the close of business on March 9, 2009 (the date of the initial Merger Proposal) through and including the date of the closing of the Merger, including any and all of their respective successors in interest, predecessors, representatives, trustees, executors, administrators, heirs, assigns or transferees, immediate and remote, and any person or entity acting for or on behalf of, or claiming under any of them, and each of them (the "Class").

2. A hearing (the "Settlement Hearing") shall be held on _____________, 2009, at __:__ _.m., in the Court of Chancery in the ________Courthouse, _______, _________, Delaware_________, to:

a. determine whether the Settlement should be approved by the Court as fair, reasonable, adequate and in the best interests of the Plaintiffs, TEPPCO, TEPPCO's unitholders and the Class;

b. determine whether judgment should be entered pursuant to the Stipulation, inter alia, dismissing the Actions with prejudice and extinguishing and releasing all Settled Claims (as defined therein);

c. determine whether the Class should be certified and whether Plaintiffs and their counsel have adequately represented the Class;

d. rule on an application of Plaintiffs' counsel for an award of attorneys' fees and expenses and Derivative Plaintiff's application for a special award in the Actions; and

e. rule on such other matters as the Court may deem appropriate.

3. The Court reserves the right to adjourn the Settlement Hearing or any adjournment thereof, including the consideration of the application for attorneys' fees and reimbursement of expenses, without further notice of any kind other than oral announcement at the Settlement Hearing or any adjournment thereof.

4. The Court reserves the right to approve the Settlement at or after the Settlement Hearing with such modification as may be consented to by the parties to the Stipulation and without further notice to the Class or TEPPCO's unitholders.

5. No later than 15 days from the date of this Order, TEPPCO shall cause a notice of the Settlement Hearing in substantially the form annexed as Exhibit C to the Stipulation (the "Notice") to be mailed by United States mail, postage pre-paid, to all TEPPCO unitholders and the Class, at their last known address appearing in the records maintained by or on behalf of TEPPCO. All record holders as described in the foregoing sentence who were not also the beneficial owners of the units held by them of record are requested to forward the Notice to such beneficial owners of those units. TEPPCO shall use reasonable efforts to give notice to such beneficial owners by making additional copies of the Notice available to any record holder who, prior to the Settlement Hearing, requests copies for distribution to beneficial owners.

6. The form and method of notice specified herein (i) is the best notice practicable, (ii) shall constitute due and sufficient notice of the Settlement Hearing to all persons entitled to

receive such a notice, and (iii) meets the requirements of due process and Court of Chancery Rule 23 and Rule 23.1. Prior to the Settlement Hearing, counsel for TEPPCO shall file with the Court of Chancery an appropriate affidavit with respect to the preparation and mailing of the Notice.

7. Any member of the Class or TEPPCO unitholder who objects to the: (i) Settlement, (ii) class action determination, (iii) adequacy of representation of the Class Plaintiffs and their counsel, (iv) dismissal, (v) judgments to be entered with respect thereto, and/or (vi) Plaintiffs' counsel's request for fees and reimbursement of costs and expenses or a special award to Derivative Plaintiff in the Actions, or who otherwise wishes to be heard, may appear in person or by his, her, or its attorney at the Settlement Hearing and present evidence or argument that may be proper and relevant; provided, however, that no person other than counsel for the named Plaintiffs and defendants in the Actions shall be heard and no papers, briefs, pleadings or other documents submitted by any such person shall be received and considered by the Court (unless the Court in its discretion shall thereafter otherwise direct, upon application of such person and for good cause shown), unless not later than ten (10) calendar days prior to the Settlement Hearing, such person files with the Register in Chancery: (i) a written notice of intention to appear, (ii) a statement of such person's objections to any matters before the Court, (iii) the grounds therefor or the reasons for such person's desiring to appear and be heard, as well as documents or writings such person desires the Court to consider, and (iv) proof of ownership of TEPPCO limited partnership units during the Class period. Also, on or before the date of filing such papers, such person must serve them upon the following counsel of record:

Joseph A. Rosenthal, Esquire
Rosenthal, Monhait & Goddess, P.A.
919 Market Street, Suite 1401
P.O. Box 1070
Wilmington, Delaware 19899

Gregory P. Williams, Esquire
Richards, Layton & Finger, P.A.
One Rodney Square
920 N. King Street
Wilmington, Delaware 19801

A. Gilchrist Sparks, III, Esquire
Morris, Nichols, Arsht & Tunnell LLP
1201 North Market Street
P.O. Box 1347
Wilmington, Delaware 19899

Kurt M. Heyman, Esquire
Proctor Heyman, LLP
1116 West Street
Wilmington, Delaware 19801

Lawrence C. Ashby, Esquire
Ashby & Geddes
500 Delaware Avenue, 8th Floor
P.O. Box 1150
Wilmington, Delaware 19899

Donald J. Wolfe, Jr.
Potter Anderson & Corroon LLP
1313 North Market Street
P.O. Box 951
Wilmington, Delaware 19899

8. Unless the Court otherwise directs, no person shall be entitled to object to the approval of the Settlement, any judgment entered thereon, the class action determination, the adequacy of the representation of the Class by Plaintiffs and their counsel, or any award of attorneys' fees or special award, or otherwise to be heard, except by serving and filing a written objection and supporting papers and documents as prescribed in paragraph 7. Any Class

member or TEPPCO unitholder who fails to object in the manner described above shall be deemed to have waived the right to object (including any right of appeal) and shall be forever barred from raising such objection in this or any other action or proceeding.

9. If the Settlement, including any amendment made in accordance with the Stipulation, does not obtain Final Court Approval (as defined in the Stipulation) or does not become effective for any reason whatsoever, the Settlement, any class certification herein and any actions taken or to be taken in connection with the Settlement (including this Order and any judgment created herein) shall be terminated and shall become void and of no further force and effect except for TEPPCO's obligations to pay for any expense incurred in connection with the Notice and administration provided for by this Order. In any such event, neither the Stipulation, nor any provision contained in the Stipulation, nor any action taken pursuant thereto, shall be deemed to prejudice in any way the respective positions of the parties with respect to the Actions. Additionally, the parties to the Actions shall be restored to their respective positions as of June 28, 2009, and neither the existence of the Stipulation nor its contents shall be admissible in evidence or shall be referred to for any purpose in the Actions or in any other litigation or proceeding and shall not entitle any party to recover from any other party any costs or expenses incurred in connection with the implementation of the Stipulation.

10. All proceedings in the Actions, other than proceedings as may be necessary to carry out the terms and conditions of the Settlement, are hereby stayed and suspended until further order of this Court. Pending final determination of whether the Settlement should be approved, Plaintiffs, TEPPCO's unitholders, and members of the Class are barred and enjoined from commencing, instituting, prosecuting, instigating or continuing, or in any way participating in the commencement or prosecution of, any action asserting any Settled Claims, either directly,

individually, representatively, derivatively or in any other capacity against any of the Released Persons, and are barred and enjoined from challenging the Settlement (other than in the Actions in accordance with the procedures established by the Court).

11. Neither the Stipulation nor this Order, nor any act performed or document executed pursuant to or in furtherance of the Settlement (i) is or shall be deemed to be or shall be used as an admission or concession on the part of the Plaintiffs, defendants or any other person, of the validity of the Settled Claims or of any wrongdoing by or liability of defendants or defendants' affiliates whatsoever; (ii) is or shall be deemed to be or shall be used as a concession or admission of any fault or omission of the Plaintiffs, any defendant or any defendant's affiliates in any statement, release or written document or financial report issued, filed or made; or (iii) shall be offered or received in evidence against the Plaintiffs, defendants or defendants' affiliates in any civil, criminal or administrative action or proceeding in any court, administrative agency or other tribunal other than such proceedings as may be necessary to consummate or enforce the Settlement, the releases executed pursuant thereto, and/or the Order and Final Judgment, except that the Stipulation and the Exhibits thereto may be filed in any subsequent action brought against any defendant or any defendant's affiliates in order to support a defense or counterclaim of the defendants or defendants' affiliates of res judicata, collateral estoppel, release, good faith settlement, judgment bar or reduction or any other theory of claim or issue preclusion or similar defense or counterclaim.

______________________________________

[Vice] Chancellor

# EXHIBIT C

**IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE**

| | | |
|---|---|---|
| PETER BRINCKERHOFF, Individually and on Behalf of All Others Similarly Situated, and Derivatively on Behalf of Teppco Partners, LP,<br><br>Plaintiff,<br><br>v.<br><br>TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC; ENTERPRISE PRODUCTS PARTNERS, L.P.; ENTERPRISE PRODUCTS GP, LLC; EPCO, INC.; DAN L. DUNCAN; JERRY E. THOMPSON; W. RANDALL FOWLER; MICHAEL A. CREEL; RICHARD H. BACHMANN; RICHARD S. SNELL; MICHAEL B. BRACY; and MURRAY H. HUTCHISON,<br><br>Defendants,<br><br>and<br><br>TEPPCO PARTNERS, L.P.,<br><br>Nominal Defendant. | ) | C.A. No. 2427-VCL |
| IN RE TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC, MERGER LITIGATION | ) | C.A. No. 4548-VCL |

**NOTICE OF PENDENCY OF CLASS AND DERIVATIVE ACTIONS, TEMPORARY AND PROPOSED CLASS ACTION DETERMINATION, PROPOSED SETTLEMENT OF CLASS AND DERIVATIVE ACTION, SETTLEMENT HEARING AND RIGHT TO APPEAR**

**CLASS CLAIM**

TO: ALL RECORD HOLDERS AND BENEFICIAL OWNERS OF LIMITED PARTNERSHIP UNITS OF TEPPCO PARTNERS, L.P. ("TEPPCO") DURING THE PERIOD BEGINNING ON AND INCLUDING THE CLOSE OF BUSINESS ON MARCH 9, 2009 THROUGH AND INCLUDING THE CLOSING DATE OF THE MERGER OR THEIR SUCCESSORS IN INTEREST, PREDECESSORS, REPRESENTATIVES, TRUSTEES, EXECUTORS, ADMINISTRATORS, HEIRS,

ASSIGNS OR TRANSFEREES, IMMEDIATE AND REMOTE AND ANY PERSON OR ENTITY ACTING FOR OR ON BEHALF OF, OR CLAIMING UNDER ANY OF THEM, AND EACH OF THEM.

**DERIVATIVE CLAIM**

TO: ALL RECORD HOLDERS AND BENEFICIAL OWNERS OF LIMITED PARTNERSHIP UNITS OF TEPPCO OR THEIR SUCCESSORS IN INTEREST, PREDECESSORS, REPRESENTATIVES, TRUSTEES, EXECUTORS, ADMINISTRATORS, HEIRS, ASSIGNS OR TRANSFEREES, IMMEDIATE AND REMOTE AND ANY PERSON OR ENTITY ACTING FOR OR ON BEHALF OF, OR CLAIMING UNDER ANY OF THEM, AND EACH OF THEM.

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS WILL BE AFFECTED BY THE LEGAL PROCEEDINGS IN THIS LITIGATION. IF THE COURT APPROVES THE PROPOSED SETTLEMENT, YOU WILL BE FOREVER BARRED FROM CONTESTING THE FAIRNESS, REASONABLENESS AND ADEQUACY OF THE PROPOSED SETTLEMENT, OR FROM PURSUING THE SETTLED CLAIMS (DEFINED HEREIN).

IF YOU HELD LIMITED PARTNERSHIP UNITS OF TEPPCO FOR THE BENEFIT OF ANOTHER, PLEASE PROMPTLY TRANSMIT THIS DOCUMENT TO SUCH BENEFICIAL OWNER.

**I. PURPOSE OF THIS NOTICE.**

The purpose of this Notice is to inform you, pursuant to Rules 23 and 23.1 of the Court of Chancery of the State of Delaware (the “Court”), and the Order of the [Vice] Chancellor of the Court dated ________, 2009 in the above-captioned Actions (the “Actions”), of (i) the proposed settlement of the Actions (the “Settlement”) as provided for in the Stipulation and Agreement of Compromise, Settlement and Release (the “Stipulation”) dated as of August 5, 2009 entered into by the parties to the Actions, (ii) the Court’s certification of a Class (defined below) for purposes of the settlement of the Class Action (defined below), and (iii) your right to participate in a hearing to be held on _____, 2009 at __:__ _.m., before the Court in the _________ Courthouse, ______________, _________, Delaware _________ (the “Settlement Hearing”). The purpose of the Settlement Hearing is to determine whether the Court should approve the proposed

Settlement as fair, reasonable, adequate and in the best interests of the Plaintiffs, the Class, TEPPCO and its unitholders pursuant to Court of Chancery Rules 23 and 23.1 and enter a final judgment ending the Actions; to determine whether the Class should be finally certified pursuant to Court of Chancery Rule 23; to determine whether Plaintiffs and their counsel have adequately represented the interests of the Class, TEPPCO and its unitholders in the Actions; and to consider such other matters, including the application by Plaintiffs' counsel for attorneys' fees and reimbursement of expenses and a special award to Derivative Plaintiff.

The Court has determined that, for purposes of the Settlement only, the Class Action (defined below) shall be temporarily maintained as a class action under Court of Chancery Rules 23(b)(1) and (b)(2) by Plaintiffs as Class representatives, and by Plaintiffs' counsel as Class counsel, on behalf of all record holders and beneficial owners of limited partnership units of TEPPCO during the period beginning on and including the close of business on March 9, 2009 (the date of the initial Merger Proposal) through and including the date of the closing of the Merger, including any and all of their respective successors in interest, predecessors, representatives, trustees, executors, administrators, heirs, assigns or transferees, immediate and remote, and any person or entity acting for or on behalf of, or claiming under any of them, and each of them (the "Class").

This Notice describes the rights you may have under the Settlement and what steps you may take in relation to the Settlement.

If the Court approves the Settlement, it will enter an Order and Final Judgment dismissing the Actions with prejudice on the merits.

**THE FOLLOWING RECITATION DOES NOT CONSTITUTE THE FINDINGS OF THE COURT OF CHANCERY. IT IS BASED ON THE STATEMENTS OF THE PARTIES AND SHOULD NOT BE UNDERSTOOD AS AN EXPRESSION OF ANY OPINION OF THE COURT AS TO THE MERITS OF ANY OF THE CLAIMS OR DEFENSES RAISED BY ANY OF THE PARTIES**.

## II. BACKGROUND OF THE ACTIONS.

On September 18, 2006, Peter Brinckerhoff ("Brinckerhoff" or "Derivative Plaintiff") filed a derivative and class action complaint in the Delaware Court of Chancery challenging certain transactions entered into between affiliates of nominal defendant TEPPCO and Enterprise Products Partners, L.P. ("EPD") and certain proxy disclosures of TEPPCO (the "Derivative Action").

On September 22, 2006, Derivative Plaintiff filed an initial document request and a motion to expedite and requested that the Court set a hearing for a preliminary injunction. In response to the litigation, on October 5, 2006, TEPPCO filed a Form 8-K containing supplemental disclosures with respect to its proxy solicitation. As a result, Derivative Plaintiff did not pursue a preliminary injunction.

On November 17, 2006, all defendants except the nominal defendant moved to dismiss the complaint in its entirety.

On July 12, 2007, Derivative Plaintiff filed an Amended Class and Derivative Complaint (the "Amended Complaint"). Count I of the Amended Complaint alleged that the joint venture entered into by TEPPCO and EPD in August 2006 to expand further TEPPCO's Jonah system and the sale by TEPPCO of its Pioneer natural gas processing plant and certain gas processing rights to EPD in March 2006 were unfair to TEPPCO and that TEPPCO's general partner, TEXAS Eastern Products Pipeline Company, LLC ("TEPPCO GP"), the director defendants (named in the caption), EPCO, Inc. and Dan Duncan breached their fiduciary duties by causing

TEPPCO to enter into these transactions and that these transactions constituted a breach of the partnership agreement. Count II of the Amended Complaint alleged that EPD and its general partner aided and abetted the alleged breaches of fiduciary duty addressed in Count I. Count III of the Amended Complaint alleged that certain transactions adopted at a special meeting of TEPPCO's unitholders on December 8, 2006, including a reduction of the TEPPCO GP's maximum percentage interest in TEPPCO's distributions in exchange for units, were unfair to TEPPCO's unitholders and constituted a breach of fiduciary duties and that the proxy statement failed to provide TEPPCO's unitholders with all material facts necessary for them to make an informed decision whether to vote in favor of or against the proposals.

Derivative Plaintiff and his counsel have represented that they investigated the claims asserted, including conducting a review and analysis of numerous securities analysts reports, investor and creditor presentations, trade journals, filings with the Securities and Exchange Commission, the Bureau of Land Management and the State of Wyoming, and researching the duties of directors and Delaware limited partnership law. Derivative Plaintiff and his counsel also traveled to southwest Wyoming to inspect the Jonah Gas Gathering System and the Pioneer Gas Processing Plant that were the subject of the Derivative Action, as well as the competing gas processing plant owned by the Williams Companies, Inc.

On September 28, 2007, defendants moved to dismiss Count III of the Amended Complaint and certain defendants moved to dismiss Count I of the Amended Complaint as against them. During the pendency of the motions to dismiss, Derivative Plaintiff voluntarily dismissed claims relating to a certain transaction against defendant Thompson because he was not a director of TEPPCO at the time of the transaction.

After briefing and oral argument on the motions to dismiss, the Court issued a Memorandum Opinion on November 25, 2008. The Court dismissed Count III finding that the Amended Complaint failed to identify any material information that was not included in proxy materials or the supplemental disclosures. The Court denied the motion to dismiss Count I finding that the allegations of the Amended Complaint sufficiently alleged the moving defendants' involvement in the transactions.

Prior to and during the pendency of the motion to dismiss and following the Court's decision, the Derivative Plaintiff conducted extensive discovery of documents and of witnesses on the derivative claims contained in Counts I and II of the Amended Complaint. Among other things, in the course of the Derivative Action, Derivative Plaintiff served four combined interrogatories and document requests on defendants; subpoenaed six third party witnesses, including Merrill Lynch, Pierce, Fenner & Smith, Inc., Goldman, Sachs & Co., EnCana Oil & Gas (USA), Inc., and Simmons & Company, International; reviewed over half a million pages of documents produced by defendants and third parties; identified and provided to defendants more than 650 exhibits to be potentially used at depositions; and deposed the Chairman of TEPPCO's Audit, Conflict and Governance ("ACG") Committee in 2006, a representative of one financial advisor to the ACG Committee, a senior Vice President of TEPPCO and EPD, TEPPCO's Director of Development and TEPPCO's Chief Financial Officer.

Derivative Plaintiff began depositions in November 2008 and took depositions in Maryland and Texas through January 2009. Also, in January 2009, Derivative Plaintiff's counsel agreed with defendants' counsel and various third parties to schedule thirteen (13) additional depositions in Texas, New York, Colorado and California so that all depositions would be completed prior to the discovery cut-off of April 30, 2009. Derivative Plaintiff's counsel represent that they consulted

with numerous experts and retained five experts in the fields of oil and gas, natural gas liquids, financial analysis, mergers, acquisitions, and fairness opinions, and Master Limited Partnerships.

In late January 2009, the parties agreed to mediation before one of the members of the Delaware Court of Chancery pursuant to Court of Chancery Rule 174. Vice Chancellor Lamb consented to joint requests that discovery be stayed for ninety (90) days, and Vice Chancellor Strine agreed to act as mediator. Vice Chancellor Strine scheduled mediation for mid April 2009, and ordered the parties to submit simultaneous opening and simultaneous answering mediation briefs.

On January 19, 2009, Mr. Duncan, Mr. Creel and members of EPD management met and decided to commence an evaluation of the feasibility of combining EPD and TEPPCO. On January 29, 2009, the EPD ACG met with Messrs. Duncan and Creel and certain members of EPD management to discuss the proposed process EPD and the EPD ACG Committee should follow in connection with considering a potential combination of EPD and TEPPCO as well as to discuss the engagement of financial advisors and counsel.

On February 10, 2009, the EPD ACG Committee together with its legal advisors met with attorneys from Morris, Nichols, Arsht & Tunnell LLP, Delaware counsel to the EPD ACG Committee, and also counsel to defendants EPD and certain of EPD's directors in the Derivative Action, to discuss, among other things, an appropriate process for EPD to obtain financial and operating projections from TEPPCO. In late February 2009, EPD approached TEPPCO about a possible merger.

On February 23, 2009, TEPPCO and EPD entered into a confidentiality agreement. Following its execution, EPD and TEPPCO began to exchange information. On February 26, 2009, TEPPCO's board met to discuss a potential combination with EPD. Because the

Derivative Action could have an impact on the proposed transaction, the TEPPCO ACG determined that it was appropriate for the TEPPCO ACG Committee to consider and evaluate any impact the Derivative Action might have on a potential transaction with EPD.

In early April 2009, defendants' counsel advised the Derivative Plaintiff's counsel of a possible merger transaction between EPD and TEPPCO and that, if such merger occurred, it might lead to a resolution of the Derivative Action. As a result, the parties agreed that the mediation be adjourned for sixty days.

In connection with the Mediation proceedings that Vice Chancellor Strine had set for April 16, 2009, Derivative Plaintiff submitted mediation briefs together with attached expert reports of two financial experts, and a jointly agreed upon voluminous appendix of deposition exhibits and testimony. Derivative Plaintiff argued in the mediation briefs that defendants had breached the heightened standard of liability set forth in TEPPCO's partnership agreements. Derivative Plaintiff also submitted expert reports showing that Derivative Plaintiff's experts valued the derivative claims at approximately $700 million and, on a disgorgement of profits basis, at more than one billion dollars.

Defendants submitted mediation briefs together with attached expert reports. Defendants denied liability and argued that the derivative claims had no value, including that under the TEPPCO Partnership Agreement, TEPPCO's General Partner could engage in asset sales and joint ventures, including conflict of interest transactions, in its "sole discretion."

Later in April 2009, the Audit, Conflicts and Governance Committee of the board of directors of TEPPCO GP appointed a special committee comprised of independent directors (the "Special Committee") to consider the Merger Proposal. The Special Committee was comprised of a TEPPCO director who joined the TEPPCO GP Board more than a year after the Derivative

Action had been filed, Donald H. Daigle, and two new directors named to TEPPCO GP's Board in April 2009, Irvin Toole, Jr. and Duke R. Ligon, none of whom were defendants in the Derivative Action. The Special Committee retained independent legal and financial advisors.

On or about April 29, 2009, TEPPCO announced that it had received a proposal from EPD, dated March 9, 2009, for the merger of TEPPCO with and into EPD in consideration of $1.00 in cash and 1.043 EPD units to be paid or issued by EPD for each of TEPPCO's outstanding partnership units (the "Merger Proposal"), which represented at the time of the initial proposal $21.89 per TEPPCO unit, and that the Special Committee had rejected the proposal as inadequate.

On April 29, 2009, Brinckerhoff filed a class action complaint in the Delaware Court of Chancery challenging the fairness of the Merger Proposal and alleging that TEPPCO's Special Committee would not fairly value the Derivative Action in connection with the Merger and that defendants would not provide unitholders with sufficient information about the Derivative Action to evaluate the Merger.

On April 29, 2009, Renee Horowitz (together with Brinckerhoff, "Plaintiffs") filed a class action complaint in the Delaware Court of Chancery also challenging the fairness of the offer, which action was consolidated into the new Brinckerhoff action on May 11, 2009, under the caption *Texas Eastern Products Pipeline Company, LLC, Merger Litigation*, C.A. No. 4548-VCL (the "Class Action"). Also on May 11, 2009, the law firm of Bragar Wexler Eagel & Squire, P.C. was designated as Plaintiffs' Lead Counsel in the Class Action and the law firm of Rosenthal, Monhait & Goddess, P.A., was designated as Delaware Liaison Counsel for Plaintiffs.

The Class Action alleges, among other things, that Dan Duncan controls both TEPPCO and EPD through his ultimate ownership of their respective general partners and arranged for a transaction in his best interest that would not have been entirely fair to the minority unitholders

of TEPPCO. The Class Action further alleges that Duncan's control and unwillingness to sell his stake precluded third-party interest in TEPPCO. According to the Class Action, as a consequence of his ultimate control, Duncan, EPD and Enterprise Holdings, L.P, with the acquiescence of TEPPCO GP's directors and EPCO, Inc., would have been able to proceed with and benefit from an underpriced, unfair transaction to the detriment of TEPPCO's public unitholders.

On April 30, 2009, the TEPPCO Special Committee met with its legal and financial advisors to prepare for a meeting with EPD scheduled for May 1, 2009. After some discussion, the TEPPCO Special Committee decided that, if efforts to obtain an increased proposal from EPD were unsuccessful, it would make a counterproposal only after it was able to assess the merits and range of potential values of the Derivative Action, and that to facilitate that assessment, it would schedule a meeting with the Plaintiff's counsel in the Derivative Action and the Class Action.

On May 1, 2009, the Special Committee and its legal and financial advisors met with EPD and its legal and financial advisors and the EPD ACG Committee and its counsel. At the conclusion of the meeting, Mr. Daigle informed EPD that the TEPPCO Special Committee was in the process of reviewing the Derivative Action and believed that the Derivative Action potentially represented a significant asset of TEPPCO. Mr. Daigle then encouraged EPD to revise its proposal to reflect both the then current market value of the TEPPCO units and the value of the Derivative Action. Finally, Mr. Daigle stated that the TEPPCO Special Committee would contact EPD to continue discussions once it had further assessed the merits and value of the Derivative Action. From April through the end of June, the Special Committee and its legal experts, and their financial experts worked to value the Derivative Action, and considered the

claims significant assets of TEPPCO and requested that EPD pay fair value for those claims in the Merger.

On May 6, 2009, the Special Committee, and its advisors, met with Derivative Plaintiff, his attorneys, and one firm of Plaintiffs' financial experts in Houston to discuss Plaintiff's and his counsel's view of the merits of the Derivative Action. Prior to the meeting, the Special Committee was provided with Derivative Plaintiff's mediation briefs, expert reports and exhibits. For the meeting, Derivative Plaintiff's attorneys prepared a memorandum, charting from the mediation memoranda Derivative Plaintiff's arguments and defendants' responses, and setting forth Derivative Plaintiff's rebuttal arguments. Also, for the Special Committee, Derivative Plaintiff's counsel prepared a power point presentation summarizing Derivative Plaintiff's view of the applicable partnership contractual standards of liability and damages. Derivative Plaintiff, five of his attorneys, together with three of Derivative Plaintiff's attorneys' experts participated in the presentation to the Special Committee. All members of the Special Committee, their counsel (including their Delaware counsel), and financial experts, were present and posed questions to Derivative Plaintiff's attorneys and their experts. From and after May 2009, Derivative Plaintiff's counsel and the Special Committee's counsel were in regular communication. In discussions with counsel for the Special Committee, Derivative Plaintiff's counsel repeatedly urged that the TEPPCO Special Committee obtain substantial consideration for the Derivative Action.

On May 12, 2009, the TEPPCO Special Committee and its legal advisors held a telephonic meeting to discuss the merits and potential value range of the Derivative Action and the steps that the TEPPCO Special Committee should undertake to facilitate that assessment. On

May 14, 2009, the TEPPCO Special Committee further discussed the Derivative Action with its legal advisors.

On May 18, 2009, the TEPPCO Special Committee held a telephonic meeting to discuss with its legal and financial advisors a possible counterproposal to EPD. The TEPPCO Special Committee decided that a counterproposal would be formulated based, in part, on the TEPPCO Special Committee's views on the value of TEPPCO following consultation with its financial advisors and considering a range of potential values for the Derivative Action. The range of potential values for the Derivative Action was based upon the damages estimates of the parties to the Derivative Action in the pending mediation of the Derivative Action and the TEPPCO's Special Committee meeting with Derivative Plaintiff and his counsel. The Special Committee decided, after consulting with its legal and financial advisors, to make a counterproposal of 1.48 EPD common units for each TEPPCO unit. On May 19, 2009, Mr. Daigle communicated the counterproposal to EPD.

On June 15, 2009, the TEPPCO Special Committee and EPD engaged in face-to-face merger negotiations. During the meeting, EPD responded to the Special Committee's counterproposal with a new proposal of 1.197 EPD common units for each TEPPCO unit.

On June 16, 2009, the TEPPCO Special Committee met with its financial and legal advisors to discuss the negotiations. The Special Committee considered that it was able to obtain a substantial increase in the Merger consideration due to the existence and value of the Derivative Action. The TEPPCO Special Committee then discussed a response to EPD's revised offer and decided to further negotiate a transaction, and requested that EPD improve its proposal to 1.275 EPD common unit for each TEPPCO unit. The TEPPCO Special Committee also conditioned the Merger on the affirmative vote of at least a majority of the votes cast by the holders of outstanding

limited partnership units of TEPPCO, excluding those held by defendants to the Derivative Action and DD Securities LLC, DFI GP Holdings, L.P., Enterprise GP Holdings L.P., Duncan Family Interests, Inc., and Duncan Family 2000 Trust. Also, on June 16, 2009, EPD management consulted with Mr. Duncan regarding whether one of his affiliates would consider accepting, in lieu of some EPD common units, a new class of EPD units that would not receive distributions for a specified period of time.

During a later meeting on June 16, 2009, EPD responded with a revised proposal that consisted of 1.24 EPD common units for each TEPPCO unit, other than certain TEPPCO units owned by Duncan Family Interests, Inc. and its affiliates, which would be exchanged for Class B units each of which would forego quarterly cash distributions for sixteen quarters following the closing of the merger (the “1.24 Proposal”). The Merger would also be subject to affirmative vote of at least a majority of the votes cast by the holders of outstanding limited partnership units of TEPPCO, excluding those held by defendants to the Derivative Action and DD Securities LLC, DFI GP Holdings, L.P., Enterprise GP Holdings L.P., Duncan Family Interests, Inc., and Duncan Family 2000 Trust.

On June 17, 2009, the TEPPCO Special Committee met to discuss the 1.24 Proposal with the assistance of its legal and financial advisors and concluded that it was in favor of going forward with the proposal.

Later on June 17, 2009, the TEPPCO Special Committee and its legal advisors held a telephonic conference with the Derivative Plaintiff and his counsel to apprise them of EPD’s final proposal. At the conclusion of the meeting, Derivative Plaintiff stated he would have to consider whether he was willing to support the final proposal and enter into settlement of the Derivative Action. Later that day, Derivative Plaintiff’s counsel telephoned counsel for the TEPPCO Special

Committee and stated that Derivative Plaintiff was willing to support the proposal if the merger agreement contained a covenant that EPD would increase distributions to be equivalent with TEPPCO distributions on an as-converted basis.

On June 18, 2009, Mr. Daigle met with legal advisors and Mr. Creel and members of EPD management to discuss the Derivative Plaintiff's demands for a commitment to increased distributions on EPD common units. Mr. Creel explained that the financial ramifications of the demand prevented EPD from agreeing to the condition. However, EPD was willing to state that, subject to market conditions, EPD currently expects to continue its practice of increasing its distributions each quarter through 2011, by the higher of $0.0075 ($0.03 annualized) per common unit or 1.25% (5% annualized). Such increases would bring EPD distributions to parity with TEPPCO distributions on an as-converted basis by the third quarter of 2010.

On June 28, 2009, a merger agreement was executed by and among TEPPCO, EPD, TEPPCO GP, Enterprise Products GP, LLC, and Enterprise Sub B LLC (the "Merger Agreement") whereby TEPPCO and TEPPCO GP will become wholly-owned subsidiaries of EPD (the "Merger"). In consideration, TEPPCO unitholders, except for a certain affiliate of EPCO, Inc., will receive 1.24 EPD common units for each TEPPCO unit. An affiliate of EPCO, Inc. will exchange its 11,486,711 TEPPCO units for 14,243,521 EPD units, based on the 1.24 exchange rate, which will consist of 9,723,090 EPD common units and 4,520,431 EPD Class B units. The EPD Class B units will not be entitled to regular quarterly cash distributions for sixteen quarters following the closing of the Merger. Subject to market conditions, EPD currently expects to be able to continue its practice of increasing its distributions each quarter through 2011 by the higher of $0.0075 ($0.03 annualized) per common unit or 1.25% (5% annualized). The Class B

units will convert automatically into the same number of common units on the date immediately following the payment date of the sixteenth distribution following the closing of the Merger.

Also on June 28, 2009, following arm's-length negotiations, the parties entered into a memorandum of understanding ("MOU"), based upon the Merger Agreement, pursuant to which the parties agreed in principle to the settlement of the Actions (as described below under the paragraph entitled "The Settlement"). Prior to signing the MOU, Plaintiffs' attorneys arranged for one of their experts to examine certain financial materials prepared for the Special Committee. That expert reported to Plaintiffs' attorneys that, on a preliminary basis, the Merger consideration appeared fair.

On August __, 2009, the Stipulation was executed by the parties through their respective counsel.

## III. THE SETTLEMENT.

The Merger, and TEPPCO's Special Committee's use of the Derivative Action in its effort to obtain an increase in the Merger consideration, provide the basis for the settlement. Specifically, EPD agreed in the Merger to exchange 1.24 EPD Common Units for each outstanding limited partnership unit of TEPPCO (the "Merger Consideration"), other than the Designated TEPPCO Common Units defined below. Further, one or more privately-held affiliates of EPCO, Inc. will receive in the Merger in exchange for 3,645,509 limited partnership units of TEPPCO held by such affiliate or affiliates ("Designated TEPPCO Common Units") 4,520,431 Class B units of EPD, which Class B units, by their terms, will receive no cash distributions for sixteen quarters following the closing date of the Merger. The board of directors of TEPPCO GP will recommend to TEPPCO's unitholders that they approve the Merger Agreement and, subject to certain fiduciary exceptions set forth in the Merger Agreement, TEPPCO GP will use its reasonable best efforts to seek unitholder approval as soon as practicable, including providing proxy materials to TEPPCO's

unitholders, which will include a description of the Settlement, and scheduling a unitholder vote. Plaintiffs and their counsel were given the opportunity to review and comment on the draft proxy materials. Approval of the Merger will require, in addition to votes required under the TEPPCO partnership agreement, the affirmative vote of at least a majority of the votes cast by the holders of outstanding limited partnership units of TEPPCO, excluding those held by defendants to the Derivative Action and DD Securities LLC, DFI GP Holdings, L.P., Enterprise GP Holdings L.P., Duncan Family Interests, Inc., and Duncan Family 2000 Trust.

The Derivative Action was considered by the Special Committee to be a significant asset of TEPPCO for which fair value was sought and obtained in the Merger consideration. The derivative claims, the submission to the Special Committee by Derivative Plaintiff of certain evidence obtained by Derivative Plaintiff in discovery, together with briefs extensively citing both documents and testimony and setting forth the Derivative Plaintiff's contentions as to the applicable law, reports by Derivative Plaintiff's experts, and the presentation by Derivative Plaintiff, his counsel and their experts provided substantial assistance to the Special Committee in negotiating the increase in the Merger consideration. During the negotiations, the Special Committee advised EPD that EPD had not sufficiently valued the Derivative Action and, thereafter, EPD increased the Merger consideration. The Special Committee considered that it was able to obtain a substantial increase in the Merger consideration due to the existence and value of the Derivative Action.

During the course of the Merger negotiations, EPD increased the Merger consideration by about 14.5% or more than $300,000,000.

## IV. REASONS FOR THE SETTLEMENT.

Plaintiffs, through their counsel, have made a comprehensive and thorough investigation of the claims and allegations asserted in the Actions, as well as the facts and circumstances relevant to the Actions, including carefully reviewing relevant documents; conducting factual

and legal research concerning the viability of Plaintiffs' claims; and carefully analyzing the fairness and adequacy of the terms of the Stipulation and Settlement. While Plaintiffs believe that the claims asserted in the Actions have merit, they also believe that the Settlement provided for herein provides substantial benefits to the Class, TEPPCO and its unitholders. In addition to the substantial benefits provided by the Settlement to the Class, TEPPCO and its unitholders, Plaintiffs and their counsel have considered: (i) the facts developed through their investigation; (ii) the standards for liability set forth in TEPPCO's limited partnership agreement; (iii) the attendant risks of litigation and the uncertainty of the outcome of the Actions; (iv) the substantial cost to TEPPCO of continuing the litigation; (v) the desirability of permitting the Settlement to be consummated as provided by the terms of this Stipulation; and (vi) the conclusion of Plaintiffs and their counsel that, under the circumstances, the terms and conditions of the Settlement are fair, reasonable and adequate and that it is in the best interest of Plaintiffs, the members of the Class, TEPPCO and its unitholders to settle the Actions as set forth in the Stipulation. In light of these considerations, Plaintiffs, through their counsel, have determined that it is in the best interests of the Plaintiffs, the members of the Class, TEPPCO and its unitholders to settle the Actions on the terms set forth in the Stipulation.

Defendants have vigorously denied, and continue to deny, all liability with respect to the Actions, deny that they engaged in any wrongdoing, deny that they committed any violation of law, deny that they breached any fiduciary duties, deny that they acted improperly in any way, and deny liability of any kind to Plaintiffs or to members of the Class, TEPPCO, or any of its unitholders. Defendants have agreed to the Settlement and dismissal of the Actions on the merits and with prejudice to (i) avoid further expense; (ii) dispose of potentially burdensome, uncertain and protracted litigation; (iii) finally put to rest all claims the Plaintiffs, the members of the

Class, TEPPCO and its unitholders may have arising out of the Actions; and (iv) permit TEPPCO and its officers and directors to pursue its business without collateral involvement in ongoing litigation.

## V. APPLICATION FOR ATTORNEYS' FEES AND EXPENSES.

Only after the parties agreed in principle on the settlement terms and executed the MOU did counsel for Plaintiffs and defendants engage in negotiations concerning Plaintiffs' application for attorneys' fees and reimbursement of expenses. Such negotiations were conducted at arms' length and resulted in Plaintiffs' agreement to limit their application and defendants' agreement not to oppose such application, all as set forth in this Section V. Also set forth is a statement by Plaintiffs and their attorneys of information they believe relevant to Plaintiffs' application for an award of attorneys' fees and expenses and a special allowance for Derivative Plaintiff. This information is not provided by defendants or the Court.

Plaintiffs believe that the Derivative Action, the Class Action, and the settlement provide TEPPCO's public unitholders very significant benefits including a substantial increase in the Merger consideration of hundreds of millions of dollars. Further, as a result of the Merger Proposal, from April 29, 2009, when it was first announced, through the time of the settlement, TEPPCO's unit price increased substantially in both absolute and relative terms (as compared to the Alerian MLP index) by more than a half billion dollars.

For nearly three years, the Derivative Plaintiff and the three law firms that acted as his counsel have devoted more than 10,000 hours to prosecute the Derivative Action and Class Action, and spent or incurred more than $1,500,000 in expert fees and litigation expenses.

Plaintiffs and their counsel intend to petition the Court for an award of reasonable fees not to exceed $17,500,000 (including $100,000 as a special award for Derivative Plaintiff in connection with the Actions for his services over and above the customary responsibilities of a

derivative and class representative) and reimbursement of reasonable expenses (paid or obligated to pay) not to exceed $1,500,000 (the "Fee Application"). Plaintiffs and their counsel will not seek fees or expenses in excess of the Fee Application. Defendants will not oppose the Fee Application in the amounts stated above.

The parties agree that final resolution by the Court of the Fee Application shall not be a precondition to the dismissal of the Actions in accordance with the Stipulation, and the Stipulation provides that the Fee Application may be considered separately from the proposed Settlement of the Actions. Fees and expenses awarded by the Court to Plaintiffs' counsel or a special award to Derivative Plaintiff in the Actions shall be paid by TEPPCO and/or any insurer for any of the Defendants within ten (10) business days after the later of (1) fulfillment of all of the conditions to the Settlement or (2) the date of the Court's order approving the Fee Application. Defendants expect that Plaintiffs' legal fees and expenses, as awarded by the Court, will be reimbursed by defendants' insurance.

## VI. CLASS ACTION DETERMINATION.

The Court has ordered that, for purposes of the Settlement only, the Class Action shall be temporarily maintained as a class action by the named Plaintiffs as Class representatives and by their class counsel, pursuant to Court of Chancery Rules 23(a), 23(b)(1) and (b)(2), on behalf of the Class.

## VII. INQUIRIES REGARDING THE SETTLEMENT.

Inquiries or comments about the Settlement may be directed to the attention of Class and derivative counsel as follows:

Patrick J. O'Donnell, Esq.
Bragar, Wexler, Eagel & Squire, P.C.
885 Third Avenue, Suite 3040
New York, New York 10022

## VIII. SETTLEMENT HEARING.

A Settlement Hearing has been scheduled before the Court in its courtroom in the ___________Courthouse, _________________, ______________, Delaware _______, on _____, 2009 at __:__ _.m., to: (i) determine whether the Settlement should be approved by the Court as fair, reasonable and adequate and in the best interests of the Class, TEPPCO and its unitholders; (ii) determine whether judgment should be entered pursuant to the Stipulation, inter alia, dismissing the Actions with prejudice and extinguishing and releasing all Settled Claims (as defined in the Stipulation and below); (iii) determine whether the Class should be certified and whether Plaintiffs and their counsel have adequately represented the Class, TEPPCO and its unitholders; (iv) rule on Plaintiffs' Fee Application; and (v) rule on other such matters as the Court may deem appropriate.

The Court has reserved the right to adjourn the Settlement Hearing or any adjournment thereof, including the consideration of Plaintiffs' Fee Application, without further notice of any kind other than oral announcement at the Settlement Hearing or any adjournment thereof.

## IX. RIGHT TO APPEAR AND OBJECT.

Any unitholder of TEPPCO or member of the Class who objects to the: (i) Settlement, (ii) class action determination, (iii) adequacy of representation by Plaintiffs and their counsel, (iv) dismissal, (v) judgments to be entered with respect thereto, and/or (vi) Plaintiffs' Fee Application, or (vii) who otherwise wishes to be heard, may appear in person or by his, her, or its attorney at the Settlement Hearing and present evidence or argument that may be proper and relevant. To do so, you must no later than ten (10) calendar days prior to the Settlement Hearing (unless the Court in its discretion shall thereafter otherwise direct, upon application of such person and for good cause shown), file with the Register in Chancery: (i) a written notice of

intention to appear, (ii) a statement of your objections to any matters before the Court, (iii) the grounds therefor or the reasons for your desire to appear and be heard, as well as documents or writings you desire the Court to consider.  Also, on or before the date of filing such papers, you must serve them upon the following counsel of record:

Joseph A. Rosenthal, Esquire
Rosenthal, Monhait & Goddess, P.A.
919 Market Street, Suite 1401
P.O. Box 1070
Wilmington, Delaware  19899

Gregory P. Williams, Esquire
Richards, Layton & Finger, P.A.
One Rodney Square
920 N. King Street
Wilmington, Delaware  19801

A. Gilchrist  Sparks, III, Esquire
Morris, Nichols, Arsht & Tunnell LLP
1201 North Market Street
P.O. Box 1347
Wilmington, Delaware  19899

Kurt M. Heyman, Esquire
Proctor Heyman, LLP
1116 West Street
Wilmington, Delaware 19801

Lawrence C. Ashby, Esquire
Ashby & Geddes
500 Delaware Avenue, 8th Floor
P.O. Box 1150
Wilmington, Delaware  19899

Donald J. Wolfe, Jr., Esquire
Potter Anderson & Corroon LLP
1313 North Market Street
P.O. Box 951
Wilmington, Delaware 19899

Any unitholder of TEPPCO or Class member who does not object to the Settlement or Plaintiffs' Fee Application need not do anything.

Unless the Court otherwise directs, no person shall be entitled to object to the approval of the Settlement, any judgment entered thereon, the class action determination, the adequacy of the representation of the Class, TEPPCO and its unitholders by Plaintiffs and their counsel, or any award of attorneys' fees, or otherwise to be heard, except by serving and filing a written objection and supporting papers and documents as described above.

The Court will consider your papers even if you do not attend the Settlement Hearing. Any person who fails to object in the manner described above shall be deemed to have waived the right to object (including any right of appeal) and shall be forever barred from raising such objection in this or any other action or proceeding.

**X. ORDER AND FINAL JUDGMENT OF THE COURT.**

If the Court determines that the Settlement is fair, reasonable, adequate, and in the best interests of the Class, TEPPCO and its unitholders, the parties hereto will jointly ask the Court to enter an Order and Final Judgment that will, among other things:

1. finally certify the Class represented in the Class Action pursuant to Court of Chancery Rules 23(a), 23(b)(1) and 23(b)(2);

2. approve the Settlement and adjudge the terms thereof to be fair, reasonable, adequate and in the best interests of the Class, TEPPCO and its unitholders, pursuant to Court of Chancery Rules 23(e) and 23.1;

3. authorize and direct performance of the Settlement in accordance with its terms and conditions; and

4. compromise, settle, release, and dismiss with prejudice on the merits and release defendants, and each of them, from the Settled Claims (defined below).

## XI. RELEASE.

The Stipulation provides that, if the Court approves the Settlement, and in consideration of the benefits provided by the Settlement, the Actions will be dismissed on the merits with prejudice without costs except as provided in the Stipulation as to each defendant, as against the Plaintiffs, all members of the Class, TEPPCO and its unitholders, or any of them. Under the terms of the Settlement, all claims, demands, rights, actions or causes of action, rights, liabilities, damages, losses, obligations, judgments, suits, matters and issues of any kind or nature whatsoever, whether known or unknown, contingent or absolute, suspected or unsuspected, disclosed or undisclosed, hidden or concealed, matured or unmatured, that have been, could have been, or in the future can or might be asserted in the Class Action or Derivative Action or in any court, tribunal or proceeding (including, but not limited to, any claims arising under federal or state law relating to alleged fraud, breach of any duty, negligence, violations of the federal securities laws or otherwise) by or on behalf of any member of the Class, TEPPCO or TEPPCO's unitholders that owned securities of TEPPCO continuously from the time the claims in the Derivative Action arose through to the present, whether individual, class, derivative, representative, legal, equitable or any other type or in any other capacity against defendants (or any one of them) in the Actions or any of their families, parent entities, general partners, associates, affiliates, or subsidiaries and each and all of the respective past, present or future officers, directors, unitholders, stockholders, partners, members, representatives, employees, financial or investment advisors, consultants, accountants, attorneys, investment bankers, commercial bankers, advisors or agents, heirs, executors, trustees, general or limited partners or partnerships, personal representatives, estates, administrators, predecessors, successors and assigns of the defendants (or any one of them) in the Actions or any of their families, parent entities, general partners, associates, affiliates or subsidiaries (collectively, the "Released

Persons") which have arisen, could have arisen, arise now or hereafter arise out of, or relate in any manner to, the allegations, facts, events, transactions, acts, occurrences, statements, representations, misrepresentations, omissions or any other matter, thing or cause whatsoever, or any series thereof, embraced, involved, set forth or otherwise related to, the Class Action or Derivative Action, or any allegations in the complaints or amended complaints in the Actions, to the Merger or the consideration or implementation of the Merger, or to any proxy statement, any supplement thereto, or any disclosures contained therein issued in connection with the Merger (provided that Plaintiffs are provided with a draft of the proxy statement and the opportunity to comment on any proposed disclosures) (the "Settled Claims") are completely discharged, dismissed with prejudice, settled and released, provided however, that Settled Claims shall not include any claims to enforce the Settlement. Further, any legal or equitable claims or rights of recovery of any of the defendants against any other of the defendants related to the Actions, whether arising under 10 Del. C. § 6301, et. seq., or otherwise, excepting only such claims for advancement of and/or indemnification for attorneys' fees and expenses as any individual defendant may have are completely discharged, dismissed with prejudice, settled and released. Additionally, all Settled Claims held on or on behalf of Plaintiffs and the Class are completely discharged and released against all defendants' insurers.

The Stipulation extends to the claims that the parties granting the release (the "Releasing Parties") do not know or suspect to exist at the time of the release, which if known, might have affected the Releasing Parties' decision to enter into the release. The Releasing Parties shall be deemed to relinquish, to the extent applicable, and to the full extent permitted by law, the provisions, rights and benefits of Section 1542 of the California Civil Code. The Releasing Parties shall be deemed to waive any and all provisions, rights and benefits conferred by any law

of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to California Civil Code Section 1542.

In addition, while retaining their right to deny liability, the Actions are being settled voluntarily by defendants after consultation with competent legal counsel.

## XII. NOTICE TO PERSONS OR ENTITIES HOLDING OWNERSHIP ON BEHALF OF OTHERS.

Brokerage firms, banks and/or other persons or entities who (i) held limited partnership units of TEPPCO as of the date hereof or (ii) held limited partnership units of TEPPCO during the period beginning on and including the close of business on March 9, 2009 (the date of the initial Merger Proposal) through and including the date of the closing of the Merger for the benefit of others are requested to send promptly this Notice to all of their respective beneficial owners. If additional copies of the Notice are needed for forwarding to such beneficial owners, any requests for such additional copies may be made to TEPPCO's transfer agent at the following address:

BNY Mellon Shareowner Services
P.O. Box 358015
Pittsburgh, Pennsylvania 15252-8015
(800) 953-2496

## XIII. SCOPE OF THIS NOTICE.

This Notice is not all-inclusive. The references in this Notice to the pleadings in the Actions, the Stipulation and other papers and proceedings are only summaries and do not purport to be comprehensive. For the full details of the Actions, the claims which have been asserted by the parties and the terms and conditions of the Settlement, including a complete copy of the Stipulation, unitholders of TEPPCO and members of the Class are referred to the Court files in the Actions. You or your attorney may examine the Court files during regular business hours on

each business day at the office of the Register in Chancery, New Castle County Courthouse, 500 North King Street, Wilmington, Delaware 19801. Do not call the Court.

Date: __________________, 2009

______________________________
Register in Chancery

# EXHIBIT D

**IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE**

| | | |
|---|---|---|
| PETER BRINCKERHOFF, Individually and on Behalf of All Others Similarly Situated, and Derivatively on Behalf of Teppco Partners, LLP,<br><br>Plaintiff,<br><br>v.<br><br>TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC; ENTERPRISE PRODUCTS PARTNERS, L.P.; ENTERPRISE PRODUCTS GP, LLC; EPCO, INC.; DAN L. DUNCAN; JERRY E. THOMPSON; W. RANDALL FOWLER; MICHAEL A. CREEL; RICHARD H. BACHMANN; RICHARD S. SNELL; MICHAEL B. BRACY; and MURRAY H. HUTCHISON,<br><br>Defendants,<br><br>and<br><br>TEPPCO PARTNERS, L.P.,<br><br>Nominal Defendant. | ) | C.A. No. 2427-VCL |
| IN RE TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC, MERGER LITIGATION | ) | C.A. No. 4548-VCL |

**ORDER AND FINAL JUDGMENT**

The Stipulation and Agreement of Compromise, Settlement and Release, dated August 5, 2009 (the “Stipulation”), of the above-captioned actions (the “Actions”), and the settlement contemplated thereby (the “Settlement”) having been presented at the Settlement Hearing on _______________, 2009, pursuant to the Scheduling Order for Approval of Settlement of Class and Derivative Actions entered herein on ____________, 2009 (the “Scheduling Order”), which Stipulation was joined and consented to by all parties to the Actions and which (along with the

defined terms therein) is incorporated herein by reference; and the Court having determined that notice of said hearing was given in accordance with the Scheduling Order and to TEPPCO's unitholders and members of the Class as temporarily certified by the Court in the Scheduling Order and that said notice was adequate and sufficient; and the parties having appeared by their attorneys of record; and the attorneys for the respective parties having been heard in support of the Settlement of the Actions, and an opportunity to be heard having been given to all other persons desiring to be heard as provided in the notice; and the entire matter of the Settlement having been considered by the Court;

IT IS HEREBY ORDERED, ADJUDGED AND DECREED, this _____ day of ________________, 2009, as follows:

1. The Notice of Pendency of Class and Derivative Actions, Temporary and Proposed Class Action Determination, Proposed Settlement of Class and Derivative Action, Settlement Hearing and Right to Appear (the "Notice") has been given to the unitholders of TEPPCO and to the Class pursuant to and in the manner directed by the Scheduling Order, proof of the mailing of the Notice was filed with the Court by counsel for Defendants and full opportunity to be heard has been offered to all parties, the Class, TEPPCO's unitholders and persons in interest. The form and manner of the Notice is hereby determined to have been the best notice practicable under the circumstances and to have been given in full compliance with each of the requirements of Delaware Court of Chancery Rules 23 and 23.1, and it is further determined that all parties to the Actions, members of the Class, TEPPCO and its unitholders are bound by the Order and Final Judgment herein.

2. With regard to the Class Action (as defined in the Stipulation), pursuant to Court of Chancery Rules 23(a), 23(b) (1), 23(b) (2):

a. The Court finds that (i) the Class, as defined below, is so numerous that joinder of all members is impracticable; (ii) there are questions of law and fact common to the Class; (iii) the claims of the plaintiffs are typical of the claims of the Class; and (iv) the plaintiffs have fairly and adequately protected the interests of the Class with respect to the Class Action and the claims asserted therein;

b. The Court finds that plaintiffs and their counsel have adequately represented the interests of the Class, TEPPCO and its unitholders;

c. The Court finds that the requirements of Court of Chancery Rules 23(b) (1) and (2) have been satisfied;

d. The Class Action is hereby certified as a class action on behalf of all record and beneficial holders of limited partnership units of TEPPCO during the period beginning on and including the close of business on March 9, 2009 (the date of the initial Merger Proposal) through and including the date of the closing of the Merger, including any and all of their respective successors in interest, predecessors, representatives, trustees, executors, administrators, heirs, assigns or transferees, immediate and remote, and any person or entity acting for or on behalf of, or claiming under any of them, and each of them (the "Class"); and

e. Peter Brinckerhoff and Renee Horowitz are hereby certified as Class representatives. The law firms of Bragar, Wexler, Eagel & Squire, P.C. and Rosenthal, Monhait & Goddess, P.A. are hereby appointed as plaintiffs' counsel ("Plaintiffs' Counsel") for the derivative and class claims.

3. The Settlement, and all transactions preparatory or incident thereto, are found to be fair, reasonable and adequate and in the best interests of the Class, TEPPCO and its unitholders, and it is hereby approved pursuant to Court of Chancery Rules 23 and 23.1. The

parties to the Stipulation are hereby authorized and directed to comply with and to consummate the Settlement in accordance with its terms and provisions, and the Register in Chancery is directed to enter and docket this Order and Final Judgment in the Actions.

4. This Order and Final Judgment shall not constitute any evidence or admission by any party herein that any acts of wrongdoing have been committed by any of the parties to the Actions and should not be deemed to create any inference that there is any liability therefor.

5. The Actions are hereby dismissed with prejudice as to all defendants and against plaintiffs, members of the Class, TEPPCO and its unitholders, or any of them, on the merits without costs except as provided in the Stipulation. All claims, demands, rights, actions or causes of action, rights, liabilities, damages, losses, obligations, judgments, suits, matters and issues of any kind or nature whatsoever, whether known or unknown, contingent or absolute, suspected or unsuspected, disclosed or undisclosed, hidden or concealed, matured or unmatured, that have been, could have been, or in the future can or might be asserted in the Class Action or Derivative Action or in any court, tribunal or proceeding (including, but not limited to, any claims arising under federal or state law relating to alleged fraud, breach of any duty, negligence, violations of the federal securities laws or otherwise) by or on behalf of any member of the Class (as defined below), TEPPCO or TEPPCO's unitholders that owned securities of TEPPCO continuously from the time the claims in the Derivative Action arose through to the present, whether individual, class, derivative, representative, legal, equitable or any other type or in any other capacity against defendants (or any one of them) in the Actions or any of their families, parent entities, general partners, associates, affiliates, or subsidiaries and each and all of the respective past, present or future officers, directors, unitholders, stockholders, partners, members, representatives, employees, financial or investment advisors, consultants, accountants, attorneys, investment bankers,

commercial bankers, advisors or agents, heirs, executors, trustees, general or limited partners or partnerships, personal representatives, estates, administrators, predecessors, successors and assigns of the defendants (or any one of them) in the Actions or any of their families, parent entities, general partners, associates, affiliates or subsidiaries (collectively, the "Released Persons") which have arisen, could have arisen, arise now or hereafter arise out of, or relate in any manner to the allegations, facts, events, transactions, acts, occurrences, statements, representations, misrepresentations, omissions or any other matter, thing or cause whatsoever, or any series thereof, embraced, involved, set forth or otherwise related to the Class Action or Derivative Action, or any allegations in the complaints or amended complaints in the Actions, to the Merger or the consideration or implementation of the Merger, or to any proxy statement, any supplement thereto, or any disclosures contained therein issued in connection with the Merger (the "Settled Claims") are completely discharged, dismissed with prejudice, settled and released, provided however, that Settled Claims shall not include any claims to enforce the Settlement. Further, any legal or equitable claims or rights of recovery of any of the defendants against any other of the defendants related to the Actions, whether arising under 10 Del. C. § 6301, et. seq., or otherwise, excepting only such claims for advancement of and/or indemnification for attorneys' fees and expenses as any individual defendants may have are completely discharged, dismissed with prejudice, settled and released. Additionally, all Settled Claims held by or on behalf of Plaintiffs and the class are completely discharged and released against all of defendants' insurers.

6. Plaintiffs' Counsel are hereby awarded fees in the amount of _______ (including _______ as a special award for Derivative Plaintiff in connection with the Actions) and expenses in the amount of ________ in connection with the Actions, which fees the Court finds to be fair and reasonable and which shall be paid to Plaintiffs' Counsel in accordance with the terms of the

Stipulation. Fees shall be allocated by Lead Counsel among Plaintiffs' Counsel in accordance with their contribution, in the judgment of Lead Counsel, to the result achieved.

______________________________________

[Vice] Chancellor

**Exhibit 10.4**

# LOAN AGREEMENT

**$100,000,000**

This LOAN AGREEMENT (this "***Agreement***") is made as of August 5, 2009 (the "***Effective Date***"), between ENTERPRISE PRODUCTS OPERATING LLC, a Texas limited liability company, with principal offices at 1100 Louisiana Street, Suite 1000, Houston, Texas 77002 ("***Lender***"), and TEPPCO PARTNERS, L.P., a Delaware limited partnership with principal offices at 1100 Louisiana Street, Suite 1600, Houston, Texas 77002 ("***Borrower***"). Each capitalized term used but not otherwise defined in this Agreement shall have the meaning given to such term in Exhibit A hereto.

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Lender and Borrower agree as follows:

1. *Commitment*. Subject to the terms and conditions set forth herein, Lender agrees to make available to Borrower funds in an aggregate maximum outstanding principal amount of $100,000,000.00 (the ***"Commitment Amount"***).

2. *Loan*. Subject to the provisions of this Agreement, upon the receipt of a Request for Borrowing (as defined in Section 6), Lender agrees to make a revolving loan (the "***Loan***") to Borrower in an aggregate maximum outstanding principal amount not to exceed the Commitment Amount. Each amount drawn under the Loan (***"Borrowings"***), and each repayment of Borrowings, will be in a minimum principal amount of $25,000,000.00 and in whole increments of $25,000,000.00 in excess thereof.

3. *Repayment of the Loan*. Borrower promises to pay the outstanding principal balance of the Loan, together with interest accrued and outstanding thereon and any other sums due hereunder, on the earliest to occur of (a) the consummation of the merger of Borrower with a subsidiary of Enterprise Products Partners L.P., a Delaware limited partnership ("***EPD***"), pursuant to the Merger Agreement, (b) the termination of the Merger Agreement in accordance with the provisions thereof, (c) December 31, 2009 (the "***Maturity Date***"), (d) the date upon which the maturity of the Loan may have been accelerated pursuant to Section 13, or (e) the date upon which the commitment of Lender hereunder may have been terminated pursuant to Section 14.

4. *Guaranty.* As a condition precedent to any drawing under the Loan, Borrower shall cause each Significant Subsidiary (as defined in the Credit Agreement), other than any Excluded Subsidiary (as defined in the Credit Agreement) of Borrower, whether now existing or in the future formed or acquired as permitted by the Credit Agreement (each, a "***Guarantor***"), to unconditionally and irrevocably guarantee to Lender:

(a) the due and punctual payment in full (and not merely the collection) of the principal of any and all Borrowings, and any and all interest thereon, in each case, when due and payable, all according to the provisions of this Agreement; and

(b) the due and punctual payment in full (and not merely the collection) of all other sums and charges which may at any time be due and payable in accordance with the

provisions of this Agreement, in each case, by execution of a Guaranty, in substantially the form attached hereto as Exhibit B ("***Guaranty***"). Any Guaranty delivered by a Guarantor after the Effective Date pursuant to this Section 4 shall be accompanied by such certificates, documents and other information regarding such Guarantor as Lender may request.

5. *Early Repayment of the Loan.* Borrower will have the option to repay the Loan upon three (3) Business Days prior written notice, in whole or in part (subject to the minimum and incremental principal amounts for repayments, as described in Section 2), on any Business Day. Any repayment of principal must be accompanied by a concurrent payment of any and all accrued and unpaid interest on such principal amount to the date of repayment.

6. *Request for Borrowing*. On any Business Day including or after the Effective Date, but prior to the Maturity Date, Borrower may request a Borrowing by delivering a written notice to Lender (each, a "***Request for Borrowing***"), which such notice (a) shall be irrevocable and binding on Borrower, (b) shall state (i) the amount of such requested Borrowing and (ii) the date on which the funds underlying such Borrowing are to be delivered to Borrower, (c) must be received by Lender no later than 9:00 a.m., Houston, Texas time, on the third Business Day immediately preceding the date on which the funds underlying such Borrowing are to be delivered to Borrower, and (d) shall otherwise be in a form acceptable to Lender.

7. *Fees*. Borrower agrees to pay Lender all fees as calculated below:

(a) *Closing Fee*. Upon execution of this Agreement on the Effective Date, Borrower agrees to pay Lender a fee in immediately available funds in an amount equal to (i) the Commitment Amount, multiplied by (ii) 0.25%.

(b) *Fee on Undrawn Portion of Commitment Amount*. Borrower agrees to pay Lender a fee equal to (i) the amount of any undrawn portion of the Commitment Amount (i.e., the Commitment Amount minus the aggregate principal amount of any and all outstanding Borrowings), multiplied by (ii) 0.50% per annum (on the basis of a 365 day year), for each day commencing on the Effective Date and ending upon the earlier of, and including, the Maturity Date or the date that Lender's commitment under this Agreement is terminated in accordance with Section 13 or Section 14. Fees payable in accordance with this Section 7 will be due on each Payment Date.

(c) All fees payable herein shall be paid on the dates due, and shall not be refundable under any circumstances.

8. *Interest*. Borrower shall pay interest on the unpaid principal amount of the Loan outstanding from the Effective Date until the principal amount shall be paid in full, at a rate per annum at all times during each Interest Period equal to the Interest Rate for such Interest Period, payable in arrears on each Payment Date; *provided* that, in the event of any repayment or prepayment of the Loan, accrued interest on the principal amount

repaid or prepaid shall be payable on the date of such repayment or prepayment. Interest payable hereunder shall be calculated on the basis of a year of 360 days.

9. *Interest Period*. For the purposes of this Agreement, "***Interest Period***" means (a) the period commencing on the Effective Date and ending on, but not including, September 1, 2009 and (b) thereafter, each subsequent period commencing on the last day of the next preceding Interest Period and ending on, but not including, the first Business Day of the next succeeding calendar month; *provided*, that, in the case of any Interest Period that commences before the Maturity Date, and would otherwise end on a date occurring after the Maturity Date, such Interest Period shall end on the Maturity Date.

10. *Interest Rate.* For the period commencing on the Effective Date and ending on (but not including) September 1, 2009, interest on outstanding Borrowings shall be assessed at a floating rate of interest equivalent to the one-month LIBOR Rate plus 2.00% (the "***Interest Rate***"). The LIBOR Rate shall be set for each Interest Period as provided in the definition of the term "LIBOR Rate" set forth in Exhibit A hereto.

Notwithstanding the foregoing provisions of this Section 10 or any other provision of this Agreement, interest on the Loan and other amounts due hereunder at any time shall be limited to the highest lawful rate that may be charged under the laws of the State of New York at such time.

11. *Borrower's Representations and Warranties*. Borrower represents and warrants to Lender that:

(a) each of Borrower and the Guarantors (i) has been duly formed and is validly existing in good standing under the laws of its jurisdiction of organization and (ii) is qualified to do business as a foreign entity in good standing in each jurisdiction of the United States in which the ownership of its properties or the conduct of its business requires such qualification and where the failure to so qualify would be reasonably expected to have a material adverse effect on Borrower and its subsidiaries, taken as a whole; and

(b) this Agreement has been duly authorized, executed and delivered by Borrower and constitutes the valid and binding agreement of Borrower, enforceable in accordance with its terms, except as enforceability may be limited by BankruptcyLaws and general principles of equity.

12. *Conditions of Lending*. The obligation of Lender to fund any Borrowing hereunder is subject to the conditions precedent that, on and as of the date of funding of such Borrowing:

(a) each of the representations and warranties set forth in Section 11 is true and accurate;

(b) no event has occurred and is continuing (or would result from the proposed Borrowing) that constitutes a Potential Default or Event of Default under this Agreement or under the Credit Agreement;

(c) Borrower has caused each Guarantor to issue a Guaranty in accordance with Section 4; and

(d) no additional amounts are available to Borrower pursuant to the Credit Agreement either as Borrowings (as defined in the Credit Agreement) or under any Letters of Credit (as defined in the Credit Agreement).

13. *Events of Default*. If one or more of the following events of default (each an "***Event of Default***") shall occur and be continuing:

(a) Borrower shall default in any payment of principal of the Loan when and as the payment shall become due and payable, or Borrower shall default in any payment of interest as required herein, or in the payment of any fees or other amounts as required herein, when the same shall become due and payable, and such default shall continue for a period of three (3) Business Days;

(b) Borrower shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of its property, (ii) admit in writing of its inability to pay its debts as such debts become due, (iii) make a general assignment for the benefit of its creditors, (iv) commence a voluntary case under any Bankruptcy Law, (v) file a petition seeking to take advantage of any other law providing for similar relief of debtors, or (vi) consent or acquiesce in writing to any petition duly filed against it in any involuntary case under any Bankruptcy Law;

(c) a proceeding or case shall be commenced, without the application or consent of Borrower in any court of competent jurisdiction seeking (i) its liquidation, reorganization, dissolution or winding up, or the composition or readjustment of its debts, (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of it or of its assets, or (iii) similar relief in respect of it, under any law providing for the relief of debtors, and such proceeding or case shall continue undismissed, or unstayed and in effect, for a period of sixty (60) days (or such longer period, so long as Borrower shall be taking such action in good faith as shall be reasonably necessary to obtain the timely dismissal or stay of such proceeding or case); or an order for relief shall be entered in an involuntary case under any applicable Bankruptcy Law, against Borrower;

(d) a Change of Control shall occur; or

(e) any Event of Default (as defined in the Credit Agreement) shall occur; then (and in each and every such case) Lender, by notice in writing to Borrower, may terminate the commitment of Lender hereunder and/or declare the unpaid balance of the Loan and any other amounts payable hereunder to be forthwith due and payable, and thereupon such balance shall become so due and payable without presentation, protest or further demand or notice of any kind, all of which are hereby expressly waived; *provided* that in the case of Section 13(b) and Section 13(c) above, the commitments of Lender hereunder shall

automatically terminate and the Loan and any other amounts payable hereunder shall forthwith be due and payable.

14. *Termination of Lender's Commitment at Election of Borrower.* Borrower may, at any time upon three Business Days' prior written notice to Lender, terminate Lender's commitment to make the Loan under this Agreement; *provided*, that upon any such termination, any unpaid balance of the Loan and any other amounts payable hereunder shall become immediately due and payable without presentation, protest or further demand or notice of any kind, all of which are hereby expressly waived.

15. *Waivers; Amendments*. No failure or delay by Lender to exercise any right or power shall operate as a waiver thereof, nor shall any partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise of such right or power. No waiver of any right or power of Lender in this Agreement shall be effective unless given in writing signed by Lender. This Agreement may not be amended or modified except by a writing signed by the parties.

16. *Expenses of Enforcement*. Borrower shall reimburse Lender on demand for any fees or other expenses of Lender in connection with the enforcement of this Agreement and the collection of the Loan and any other amounts due Lender hereunder. Borrower agrees, to the fullest extent permitted by law, to indemnify and hold harmless Lender and each of its directors, officers, employees and agents (each an "***Indemnified Party***") from and against any and all claims, damages, liabilities and expenses (including without limitation fees and disbursements of counsel) arising out of or in connection with any investigation, litigation or proceeding (whether or not any Indemnified Party is a party) arising out of, related to or in connection with this Agreement, the Loan or any transaction in which any proceeds of all or any part of the Loan made hereunder are applied, *provided* that such indemnity shall not, as to any Indemnified Party, be available to the extent that such losses, claims, damages, liabilities or related expenses resulted from the gross negligence, unlawful conduct or willful misconduct of such Indemnified Party.

17. *Successors and Assigns*. This Agreement shall be binding on and inure to the benefit of the parties and their respective successors and permitted assigns. Borrower may not assign this Agreement or delegate any of its duties hereunder without the express written consent of Lender.

18. *Governing Law*. This Agreement shall be construed in accordance with and governed by the laws of the State of New York.

19. *Headings; Section References*. Headings in this Agreement are for convenience only and shall not be used to interpret or construe its provisions. Unless otherwise specified, references to Sections in this Agreement are to Sections of this Agreement.

20. *Counterparts*. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

21. *Entire Agreement*. This instrument and any other loan documents executed in connection herewith constitute the entire Agreement between Lender and Borrower and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties.

22. *Notices*. All notices under this Agreement shall be in writing and mailed, hand delivered or faxed and confirmed to the respective parties as follows:

If to Lender:

Enterprise Products Operating LLC
1100 Louisiana, Suite 1000
Houston, TX 77002
Facsimile: (713) 381-8200
Attention: Stephanie C. Hildebrandt, Vice President and Assistant Corporate Secretary

If to Borrower:

TEPPCO Partners, L.P.
1100 Louisiana, Suite 1600
Houston, TX 77002
Facsimile: (713) 381-3957
Attention : Patricia A. Totten, Vice President, General Counsel and Secretary

Any party hereto may change its address for receipt of communications by giving written notice to the other party in accordance with this Section 22.

23. *No Third Party Beneficiaries*. The agreement of Lender to make the Loan to Borrower on the terms and conditions set forth in this Agreement is solely for the benefit of Borrower and no other person has any rights hereunder against Lender or with respect to the extension of credit contemplated hereby.

24. *Special Exculpation*. No claim may be made by Borrower or any other person against Lender, its directors, officers, employees, attorneys or agents of any of them for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or relating to this Agreement or any other financing document or the transactions contemplated hereby or thereby, or any act, omission or event occurring in connection therewith, and Borrower hereby waives, releases and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

25. *Waiver of Jury Trial*. Each of Borrower and Lender hereby irrevocably waives, to the fullest extent permitted by law, any and all right to trial by jury in any legal

proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

26. *Severability*. If any term or provision of this Agreement shall be determined to be illegal or unenforceable, all other terms and provisions of this Agreement shall nevertheless remain effective and shall be enforced to the fullest extent permitted by applicable law.

27. *Further Assurances*. The parties agree (a) to furnish upon request to each other such further information, (b) to execute and deliver to each other such other documents, and (c) to do such other acts and things, all as the other party may reasonably request for the purpose of carrying out the intent of this Agreement.

28. *Non-Recourse to Partners*. Lender agrees that in the event of non-performance by Borrower hereunder, including an Event of Default, Lender's rights to payment under this Agreement are limited to the assets of Borrower and each Guarantor, and Lender may not pursue payment from any general partner (including the General Partner) or limited partner of Borrower for any amounts hereunder, even if the assets of Borrower and amounts received pursuant to any Guaranty are collectively insufficient to pay all amounts due to Lender under this Agreement.

*(Signature Page Follows)*

In witness whereof the parties have caused this Agreement to be executed by their proper officers on the day and year first above written.

Enterprise Products Operating LLC, as Lender

By: Enterprise Products OLPGP, Inc.,
its managing member

By: /s/ W. RANDALL FOWLER
W. Randall Fowler
Executive Vice President and Chief Financial Officer

TEPPCO Partners, L.P., as Borrower

By: Texas Eastern Products Pipeline Company, LLC,
its general partner

By: /s/ TRACY E. OHMART
Tracy E. Ohmart
Acting Chief Financial Officer

**EXHIBIT A**

As used in the Agreement to which this Exhibit A is attached, the following terms have the meanings indicated below.

"***Bankruptcy Law***" means Title 11 of the United States Code entitled "Bankruptcy", as amended from time to time and any similar other applicable law or statute in any other jurisdiction as amended from time to time.

"***Business Day***" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City, New York are authorized or required by law to remain closed; *provided* that when used in connection with an Interest Period, the term "Business Day" shall also exclude any day on which banks are not open for dealings in U.S. Dollar deposits in the London interbank market.

"***Change of Control***" means that any one or more of the following occurs or exists: (a) Borrower ceases to own (i) at least 99.999% of the Equity Interests in TE Products, TCTM, or Midstream; or (ii) directly or indirectly, 100% of the Equity Interests of TEPPCO GP; or (b) Texas Eastern, Enterprise GP Holdings L.P. or any direct or indirect wholly owned Subsidiary of Enterprise GP Holdings L.P. which has no other assets or businesses other than Equity Interests of Borrower ceases to be the sole general partner of Borrower; or (c) TEPPCO GP or any direct or indirect wholly owned Subsidiary of Borrower which has no other assets other than Equity Interests of TE Products, TCTM, Midstream, Jonah Gas, or any other Subsidiary of Borrower and has no businesses other than serving as a general partner, managing member or manager of such entities ceases to be the sole general partner, managing member or manager of TE Products, TCTM, or Midstream; or (d) TEPPCO GP and Midstream or any one or more direct or indirect wholly owned Subsidiaries of Borrower, each of which has no other assets other than Equity Interests of TE Products, TCTM, Midstream or any other Subsidiary of Borrower and has no businesses other than serving as a general partner, managing member or manager of such entities cease to be the sole general partners, managing members or managers of (or if Jonah Gas has only one general partner, managing member or manager, the sole general partner, managing member or manager of) Jonah Gas; or (e) EPCO, Inc. or Enterprise GP Holdings L.P. ceases to own, directly or indirectly, 100% of the Equity Interests of Texas Eastern; or (f) Midstream ceases to own (i) at least 99.999% of the Equity Interests in Val Verde, and (ii) 100% of the Equity Interests in TEPPCO NGL Pipelines, LLC.

***"Credit Agreement"*** means the Amended And Restated Credit Agreement, dated as of October 21, 2004, by and among Borrower, SunTrust Bank, as administrative agent, the several banks and other financial institutions named therein, as lenders, as amended and supplemented by (i) the First Amendment to Amended and Restated Credit Agreement, dated as of February 23, 2005, (ii) the Second Amendment to Amended and Restated Credit Agreement, dated as of December 13, 2005, (iii) the Third Amendment to Amended and Restated Credit Agreement and Full Release of the Jonah Gas Guaranty, dated as of July 31, 2006, (iv) the Fourth Amendment to Amended and Restated Credit Agreement, dated as of June 29, 2007, (v) the Fifth Amendment to Amended and

Restated Credit Agreement, dated as of December 18, 2007, (vi) the Sixth Amendment to Amended and Restated Credit Agreement, dated as of July 1, 2008, and (vii) the Supplement and Joinder Agreement, dated as of July 17, 2008.

***"Enterprise GP Holdings L.P."*** means Enterprise GP Holdings L.P., a Delaware limited partnership.

***"EPCO, Inc."*** means EPCO, Inc., a Texas corporation.

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

"***General Partner***" means Texas Eastern or any other Person that serves as the general partner of Borrower without causing the occurrence of a Potential Default or an Event of Default.

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

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

"***LIBOR Rate***" means, for a Borrowing and its Interest Period, the annual interest rate for deposits in United States dollars of amounts equal or comparable to the principal amount of that Borrowing offered for a term comparable to that Interest Period, which rate appears on the Reuters Screen LIBOR 01 Page as of 11:00 a.m. (London, England time) two Business Days before the beginning of that Interest Period. The rate so determined in accordance herewith shall be rounded upwards to the nearest multiple of 0.001%, and the term "***Reuters Screen LIBOR 01 Page***" means the display so designated on the Reuters Service (or such other page as may replace the Reuters Screen LIBOR 01 Page on that service or another service as may be nominated by the British Bankers' Association as the information vendor for the purpose of displaying British Bankers' Association Interest Settlement Rates for United States dollars).

***"Merger Agreement"*** means that certain Agreement and Plan of Merger, dated as of June 28, 2009, by and among EPD, Enterprise Products GP, LLC, a Delaware limited liability company and the general partner of EPD, Enterprise Sub B LLC, a Delaware limited liability company and a wholly owned subsidiary of EPD, Borrower, and Texas Eastern Products Pipeline Company, LLC, a Delaware limited liability company and the general partner of Borrower.

***"Midstream"*** means TEPPCO Midstream Companies, LLC, a Texas limited liability company and successor by merger to TEPPCO Midstream Companies, L.P., a Texas limited partnership and formerly a Delaware limited partnership.

"***Payment Date***" means the last day of each Interest Period, commencing September 1, 2009.

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

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

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

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

***"TEPPCO NGL Pipelines, LLC"*** means TEPPCO NGL Pipelines, LLC, a Delaware limited liability company.

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

***"TE Products"*** means TE Products Pipeline Company, LLC, a Texas limited liability company and successor by merger to TE Products Pipeline Company, Limited Partnership, a Texas limited partnership and formerly a Delaware limited partnership.

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

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

**EXHIBIT B**

**FORM OF GUARANTY**

THIS GUARANTY (this "***Guaranty***") is executed as of ____________ ___, by [NAME OF GUARANTOR], a ________________ (the "***Guarantor***") and a subsidiary of **TEPPCO PARTNERS, L.P.**, a Delaware limited partnership (the "***Borrower***"), for the benefit of **ENTERPRISE PRODUCTS OPERATING LLC**, a Texas limited liability company (the "***Lender***").

The Borrower and the Lender have executed that certain Loan Agreement, dated as of August 5, 2009 (the "***Loan Agreement***"). The execution and delivery of this Guaranty are conditions precedent to the obligations of the Lender to fund Borrowings under the Loan Agreement. All of the terms defined in the Loan Agreement have the same meanings when used, unless otherwise defined, in this Guaranty.

ACCORDINGLY, for adequate and sufficient consideration, and in order to induce the Lender to enter into and to fund Borrowings under the Loan Agreement, the Guarantor hereby agrees as follows:

***1. Guaranty***.

(a) The Guarantor hereby unconditionally and irrevocably guarantees (jointly and severally with any other "Guarantor" under the Loan Agreement) to the Lender the full and punctual payment when due (whether at maturity, by acceleration or otherwise), and in the manner specified under the Loan Agreement, of (i) the principal of any and all Borrowings, and any and all interest thereon, in each case, when due and payable, all according to the provisions of the Loan Agreement; and (ii) all other sums and charges which may at any time be due and payable in accordance with the provisions of the Loan Agreement (collectively, the "Obligations"). This Guaranty is an absolute, unconditional and continuing guaranty of the full and punctual payment of the Obligations (and not of their collectibility only) and is in no way conditioned upon any other means of obtaining their payment. Should the Borrower default in the payment of any of the Obligations, the obligations of the Guarantor hereunder shall become immediately due and payable to the Lender. The obligations of the Guarantor under this Guaranty (the "***Guarantor Obligations***") are independent of the Obligations, and a separate action or actions may be brought and prosecuted against the Guarantor to enforce this Guaranty, irrespective of whether any action is brought against the Borrower or any other guarantor of the Obligations or whether the Borrower or any such guarantor is joined in any such action or actions.

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

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

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

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

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

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

Lender, in the form received (with any necessary endorsements), to be applied to the Guarantor Obligations.

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

***6. No Release***. The Guarantor's obligations under this Guaranty shall not be released, diminished, or impaired by the occurrence of any one or more of the following events: (a) any taking or accepting of any other security or assurance for the Obligations; (b) any release, surrender, exchange, subordination, impairment, or loss of any collateral securing the Obligations; (c) any full or partial release of the liability of any other obligor on the Obligations (other than as the result of payment on the Obligations); (d) the modification of, or waiver of compliance with, any terms of any the Loan Agreement, this Guaranty or any other agreement, instrument or document governing the transactions contemplated thereby (collectively, the "***Loan Documents***"); (e) any present or future insolvency, bankruptcy, or lack of corporate, partnership or limited liability company power of any other obligor at any time liable for the Obligations; (f) any increase of the Obligations and any renewal, extension or rearrangement of the Obligations or any adjustment, indulgence, forbearance or compromise that may be granted or given by the Lender to any other obligor on the Obligations; (g) any neglect, delay, omission, failure or refusal of the Lender to take or prosecute any action in connection with the Obligations; (h) any failure of the Lender to notify the Guarantor of any renewal, extension or assignment of any part of the Obligations, or the release of any security or of any other action taken or refrained from being taken by the Lender against the Borrower, or any new agreement between the Lender and the Borrower, it being understood that the Lender is not required to give the Guarantor notice of any kind under any circumstances whatsoever with respect to or in connection with any part of the Obligations, other than any notice specifically required to be given to the Guarantor by applicable statutes, laws, treaties, ordinances, rules, regulations, orders, writs, injunctions, decrees, judgments, opinions and interpretations of any Governmental Authority ("***Legal Requirements***") or elsewhere in this Guaranty; (i) the unenforceability of the Obligations against any other obligor because they exceed the amount permitted by applicable Legal Requirements, the act of creating the Obligations is ultra vires, the officers creating the Obligations exceeded their authority or violated their fiduciary duties in connection with the Obligations, or otherwise; or (j) any payment of any part of the Obligations to the Lender is held to constitute a preference under any Bankruptcy Law or for any other reason the

Lender is required to refund that payment or make payment to someone else (and in each such instance this Guaranty shall be reinstated in an amount equal to that payment).

***7. Waivers***. The Guarantor waives (to the extent lawful and until full payment of the Guarantor Obligations) all defenses to the enforcement of this Guaranty (and rights that may be asserted as defenses to the enforcement of this Guaranty) including, but not limited to (i) any right to revoke this Guaranty with respect to future indebtedness arising under the Loan Agreement; (ii) any right to require the Lender to do any of the following before the Guarantor is obligated to pay any part of the Guarantor Obligations or before the Lender may proceed against the Guarantor: (A) sue or exhaust remedies against the Borrower and other guarantors or obligors in respect of the Obligations, (B) sue on an accrued right of action in respect of the Obligations or bring any other action, exercise any other right or exhaust all other remedies, or (C) enforce rights against the Borrower's assets or the collateral pledged by the Borrower to secure any part of the Obligations; (iii) any right relating to the timing, manner or conduct of the Lender's enforcement of rights against the Borrower's assets or the collateral pledged by the Borrower to secure any part of the Obligations; (iv) if the Guarantor and the Borrower (or a third party) have each pledged assets to secure any part of the Obligations or the Guarantor Obligations, any right to require the Lender to proceed first against the other collateral before proceeding against collateral pledged by the Guarantor; (v) notice that this Guaranty has been accepted by the Lender and notice of any indebtedness to which this Guaranty may apply; (vi) any right of the Guarantor to receive notice from the Lender of changes that affect the creditworthiness of the Borrower; and (vii) except for any notice specifically required by this Guaranty, presentation, presentment, demand for payment, protest, notice of protest, notice of dishonor or nonpayment of any indebtedness, notice of intent to accelerate, notice of acceleration, notice of any suit or other action by the Lender against the Borrower, the Guarantor or any other Person and any notice to any party liable for the obligation that is the subject of the suit or action.

***8. Loan Agreement Provisions***. The Guarantor acknowledges that the Borrower has made certain representations and warranties in the Loan Agreement with respect to the Guarantor and confirms that each such representation and warranty is true and correct, with the same effect as set forth herein.

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

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

***11. Communications*****.** For purposes of Section 22 of the Loan Agreement, the Guarantor's address and fax number are the same as the Borrower.

***12. Amendments, Etc*****.** No amendment, waiver or discharge to or under this Guaranty is valid unless it is in writing and is signed by the party against whom it is sought to be enforced and is otherwise in conformity with the requirements of Section 15 of the Loan Agreement.

***13. ENTIRETY*****. THIS GUARANTY REPRESENTS THE FINAL AGREEMENT AMONG THE GUARANTOR AND THE LENDER WITH RESPECT TO THE SUBJECT MATTER OF THIS GUARANTY AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.**

***14. Parties***. This Guaranty benefits the Lender and its successors and permitted assigns and binds the Guarantor and its successors and assigns. The rights of the Lender under this Guaranty may be transferred with any permitted assignment of the Obligations. The Loan Agreement contains provisions governing assignments of the Obligations and of rights and obligations under this Guaranty.

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

*(Signature Page Follows)*

EXECUTED as of the date first stated in this Guaranty.

**[NAME OF GUARANTOR]**

By ________________________________________
Name:
Title:

**Exhibit 10.5**

***TERMINATION OF TRANSITIONAL OPERATING AGREEMENT***

This Termination of Transitional Operating Agreement (this “Termination”) is made and entered into effective as of 11:59 PM Houston, Texas time July 31, 2009 (“Effective Date”), by and among **CENAC TOWING CO., L.L.C.** (successor by way of merger to Cenac Towing Co., Inc.), (hereinafter referred to as “Cenac Towing”); **CENAC OFFSHORE, L.L.C.,** a Louisiana limited liability company (“Cenac Offshore”); **CTCO BENEFITS SERVICES, L.L.C.,** a Louisiana limited liability company (“CTCO”) (collectively, the “Cenac Companies”); **MR. ARLEN B. CENAC, JR.,** a resident of Houma, Louisiana and the owner of all of the Membership and equity interests in the Cenac Companies, (the “Stockholder”); and together with the Cenac Companies, (the “Operators”); and **TEPPCO MARINE SERVICES, LLC,** a Delaware limited liability company (the “Owner”).

***WHEREAS,*** the Owner and the Operators, other than CTCO, entered into that certain Transitional Operating Agreement (the “Transitional Operating Agreement”) on February 1, 2008 under which the Operators agreed to provide certain services relating to marine vessels and related property all as more particularly described in that Transitional Operating Agreement;

***WHEREAS,*** the Transitional Operating Agreement has been amended by that certain Amendment to Transitional Operating Agreement dated effective March 5, 2009, and that certain Second Amendment to Transitional Operating Agreement dated effective June 5, 2009 (the Transitional Operating Agreement, as amended, being hereinafter referred to as the “Agreement”); and

***WHEREAS,*** the Owner and the Operators desire to terminate the Agreement.

***NOW THEREFORE,*** in consideration of the premises and the mutual benefits to be derived by each party hereto, (1) the parties hereby terminate the Agreement as of the Effective Date and agree that the effect of such termination is covered by the terms and provisions of Section 9.4 of the Agreement, and(2) except as set forth in Section 9.4 of the Agreement, each of the parties and their respective affiliates and the related companies, heirs, spouses, executors, administrators, beneficiaries, principals, directors, employees, fiduciaries, attorneys, successors, predecessors, representatives, partners, agents and assigns of each of the parties and their respective affiliates, hereby RELEASE, ACQUIT AND FOREVER DISCHARGE each other, as well as each other’s respective affiliates and the related companies, heirs, spouses, executors, administrators, beneficiaries, principals, employees, fiduciaries, attorneys, successors, predecessors, representatives, partners, agents and assigns of each of the parties and their respective affiliates from any and all manner of actions, damages, losses, costs, actions, causes of action, claims, liens, demands, charges, fees, debts, obligation, attorney fees, interest and any and all liabilities of any natures and description, both known and unknown, suspected or unsuspected, foreseen or unforeseen, real or

imaginary, actual or potential, whether arising in law or in equity, arising from or related to the Agreement.

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

This Termination constitutes the entire agreement of the parties relating to the matters contained herein, superseding all prior contracts or agreements among the parties, whether oral or written, relating to the matters contained herein.

***IN WITNESS WHEREOF,*** this Termination has been duly executed as of the Effective Date.

TEPPCO MARINE SERVICES, LLC

BY: /s/ MURRAY H. HUTCHISON
Name: Murray H. Hutchison
Title: Interim Executive Chairman

CENAC TOWING CO., L.L.C.

BY: /s/ ARLEN B. CENAC, JR.
ARLEN B. CENAC, JR.
Managing Member

CENAC OFFSHORE, L.L.C.

BY: /s/ ARLEN B. CENAC, JR.
ARLEN B. CENAC, JR.
Managing Member

CTCO BENEFITS SERVICES, L.L.C.

BY: /s/ ARLEN B. CENAC, JR.
ARLEN B. CENAC, JR.
Managing Member

/s/ ARLEN B. CENAC, JR.
ARLEN B. CENAC, JR.

**CONSULTING AGREEMENT**
**BETWEEN TEPPCO MARINE SERVICES, L.L.C.**
**AND CENAC MARINE SERVICE, L.L.C.**

This Consulting Agreement (this "Agreement") is made and entered into as of August 1, 2009 by and between TEPPCO Marine Services, L.L.C., a Delaware limited liability company ("TEPPCO"), and Cenac Marine Services, L.L.C., a Louisiana limited liability company acting through its President, Arlen B. Cenac, Jr., who also is a signatory to this Agreement and individually bound by the terms hereof ("Consultant").

WHEREAS, Consultant is an experienced marine operator and is familiar with TEPPCO's business and operations; and

WHEREAS, TEPPCO desires to engage Consultant's services to provide general advice and management services, on a part time basis; and

WHEREAS, TEPPCO and Consultant desire to enter into this Agreement for the purpose of memorializing the terms and conditions of Consultant's engagement by TEPPCO;

NOW, THEREFORE, in consideration of the premises and the representations, warranties, covenants, and agreements stated herein, and upon the terms and subject to the conditions hereinafter set forth, TEPPCO and Consultant hereby agree as follows:

1. **Contract Term**. The term of this Agreement shall commence on August 1, 2009, and shall continue in force and effect for a period of two (2) years thereafter unless terminated sooner by TEPPCO or Consultant by giving at least ninety (90) days advance notice in writing to the other Party.

2. **Scope of Consultant's Services**. During the term of this Agreement, Consultant shall be responsible for (i) the efficient management, supervision, and oversight of TEPPCO's day-to-day operations, including, without limitation, the supervision of certain individuals working on the TEPPCO business, the maintenance of all TEPPCO equipment, and compliance by TEPPCO with all applicable safety regulations and (ii) such other related management services that TEPPCO may request of Consultant. In addition, when and to the extent requested by TEPPCO, Consultant shall cooperate with TEPPCO to fully and adequately train, and to otherwise effectively and efficiently to transition the duties, responsibilities and authority of Consultant with respect to the day-to-day business of TEPPCO to, the person or persons designated by TEPPCO to assume Consultant's responsibilities upon the expiration or earlier termination of this Agreement. Consultant agrees to devote its best efforts to the performance of its services under this Agreement. Consultant further agrees for itself and for all its employees performing services under this Agreement to comply with the Code of Conduct of EPCO, Inc., a Texas corporation ("EPCO"), and all EPCO or and all TEPPCO policies regarding and relating to outside contractors. TEPPCO acknowledges that Consultant has other businesses, and that the services

provided hereunder will be on a part-time basis, which will allow Consultant to continue with other business, that is not inconsistent with Consultant's duties hereunder.

3. **Consultant's Direct Report.** During the term of this Agreement, Consultant shall report to and receive instructions from TEPPCO's President and CEO or such other person designated in writing by TEPPCO's Board of Directors.

4. **Scope of Consultant's Authority.** During the term of this Agreement, Consultant shall have authority to bind TEPPCO to commitments at such levels and with respect to such matters as may be determined from time-to-time by TEPPCO's Board of Directors and communicated to Consultant by TEPPCO's President and CEO. Unless otherwise authorized in writing by TEPPCO's Board of Directors, Consultant's authority shall not include the purchase or lease of tows, barges, tugs, push boats, or other vessels of any kind.

5. **Independent Contractor Status of Consultant.** During the term of this Agreement, Consultant shall be an independent contractor of TEPPCO, and it is expressly understood that all employees of Consultant performing services pursuant to this engagement, are employees of Consultant and not of TEPPCO or any of TEPPCO's affiliates. As such, none of Consultant's employees performing services under this Agreement shall be entitled to participate in any employee benefits plans sponsored by TEPPCO or any of its affiliates for their respective own employees, and Consultant shall be responsible for payment of all compensation, payroll and other taxes due to, for or in respect of its employees, whether performing services under this Agreement or otherwise. Consultant further agrees to indemnify TEPPCO and its affiliates and hold TEPPCO and its affiliates harmless against any and all claims by Consultant's employees, including employment law claims, arising from the performance of services under this Agreement or by any taxing authority for payroll taxes alleged to be due on the wages of such employees.

6. **Compensation.** Within five (5) business days after the commencement date of this Agreement, TEPPCO will pay Consultant a one-time retainer fee in cash of Two Hundred Thousand and No/100 ($200,000.00). In addition, on or before the last day of each month during the term of this Agreement, TEPPCO shall pay Consultant a monthly consulting fee of Forty-One Thousand Six Hundred Sixty-Seven Dollars and No/100 ($41,667.00), which shall be prorated for any partial month of performance.

7. **Expenses.** On or before the tenth day of each month during the term of this Agreement, Consultant shall invoice TEPPCO for all expenses reasonably incurred by Consultant during the prior month in connection with Consultant's performance of services under this Agreement, subject to and consistent with EPCO's or TEPPCO's general policies governing the reimbursement of expenses incurred by outside contractors. TEPPCO agrees to pay such invoices within thirty (30) business days following receipt; provided, however, that in the event of a dispute concerning any amount invoiced by Consultant, TEPPCO shall pay the undisputed portion of such

invoice and Consultant shall furnish TEPPCO with any and all records as may be requested by TEPPCO relating to such disputed amount so as to enable the parties to resolve the dispute.

8. **Insurance.** Consultant agrees to maintain, at its own expense with no charge to TEPPCO, general liability insurance with a minimum limit of $10,000,000.00, automobile insurance with a minimum limit of $6,000,000.00, and workers compensation insurance covering all of its employees performing services under this Agreement consistent with TEPPCO's requirements for outside contractors. TEPPCO, during the term of this Agreement, will carry or maintain or caused to be carried or maintained insurance, including, at a minimum, general liability insurance with limits of $1,000,000.00 combined single limit per occurrence; automobile liability insurance limits with limits of $1,000,000.00 combined single limit per accident/occurrence for bodily/personal injury and property damage, including coverage for all owned, hired and non-owned vehicles or automotive equipment; excess liability limits in the amount of $10,000,000.00 per occurrence in excess of the primary limits above; and protection and indemnity insurance (Form SP 23 or equivalent) on all marine equipment of TEPPCO and general liability insurance for the marine equipment with an overall limit of $200,000,000.00 per occurrence, including coverage for marine crew, pollution liability, removal of wreck, collision and tower's liability, cargo legal liability, third-party bodily injury and property damage liability, including contractual liability coverage.

With respect to each of the policies described above, TEPPCO and Consultant shall waive and require their insurers to waive any right of subrogation or recovery against each other. Additionally, with respect to each of the policies described above, TEPPCO and Consultant shall be named as additional insureds on all policies except workers compensation.

TEPPCO and Consultant will deliver to each other certificates of insurance upon request.

9. **Mutual Indemnification.** It is the intention of the parties hereto that the indemnity obligations by and between them in consideration of this Agreement be reciprocal and mutual as stated herein:

A. **By Consultant:** Consultant agrees to defend, indemnify and hold harmless TEPPCO and its affiliates from any and all claims or losses of whatever nature or kind made by Consultant's employees, invitees or agents for personal injury or death arising out of or related to the operations and services provided in this Agreement.

Further, Consultant agrees to defend, indemnify and hold harmless TEPPCO and its employees from any and all claims of whatever nature or kind for damage to, or destruction of Consultant's property arising out of or related to the operations and services provided in this Agreement.

B. **By TEPPCO:** TEPPCO agrees to defend, indemnify and hold harmless Consultant and its affiliates from any and all claims or losses of whatever nature or kind made by TEPPCO's employees, affiliates, invitees or agents for personal injury or death arising out of or related to the operations and services provided in this Agreement.

Further, TEPPCO agrees to defend, indemnify and hold harmless Consultant and its employees from any and all claims or losses of whatever nature or kind for damage to or destruction of TEPPCO property arising out of or related to the operations and services provided in this Agreement.

C. (i) The indemnities and obligations assumed in subparagraphs A and B of this part are owed regardless of the fault, negligence or strict liability of the indemnified party, whether sole, concurrent, contributory or comparative. However, no indemnity obligation is owed to the extent that any claims are predicated upon the gross negligence or willful misconduct of the Indemnified Party.

(ii) The obligation to "defend" includes all reasonable attorney fees and costs of investigation, defense and adjudication. The obligation to indemnify includes all damages, liabilities, judgments, fines, penalties, assessments, and other amounts unless otherwise limited herein.

(iii) Except as otherwise expressly provided herein, neither Consultant nor TEPPCO shall be obligated to defend, indemnify or hold harmless under this article or otherwise in respect of this Agreement for exemplary, special, punitive, indirect, remote, speculative or consequential damages unless such amounts are recovered from any insurance policy set forth herein.

10. **Restrictive Covenants.**

A. **Confidentiality.** Consultant acknowledges that during the course of this Agreement, it shall have access to certain confidential and proprietary information concerning TEPPCO's business and operations. Consultant agrees that all such information is the property of TEPPCO and further agrees, during the term of this Agreement and for a period of two (2) years thereafter, both for itself and for all of its employees, not to use for its benefit or to disclose to any third party any of such information without the express written consent of TEPPCO's President and CEO.

B. **Covenant Against Competition.** (i) As an essential consideration for the obligations of TEPPCO under this Agreement, each of the Consultants hereby agrees and covenants that, for a period commencing on the date of this Agreement and ending on the second anniversary of the respective dates of the last work performed hereunder:

(a) within the geographical area described on Appendix A to this Agreement ("Restricted Territory"), each of the Consultants shall not, directly or indirectly, whether as principal, agent, employee, shareholder or other equity holder (other than a holding of shares listed on a United States stock exchange or automated quotation system that does not exceed five percent of the outstanding shares so listed), owner, investor, partner or otherwise, individually or in association with any other Person (as hereinafter defined): (A) carry on or engage in any manner in the business described on Appendix B to this Agreement ("Restricted Business"), (B) solicit customers of the Restricted Business, (C) become the employee of, or otherwise render services on behalf of, any Person that carries on or engages in a business similar to the Restricted Business or (D) induce or attempt to induce any customer, supplier, licensee or business relation of TEPPCO or any of its affiliates to cease doing business with TEPPCO or any of its affiliates, or in any way interfere with the relationship between any customer, supplier, licensee or business relation of TEPPCO or any of its affiliates with TEPPCO or any of its affiliates. As used in this Agreement the term "Person" means any individual, firm, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization, government or agency or subdivision thereof or any other entity; and

(b) each of the Consultants shall not, directly or indirectly, either for himself or any other Person, (A) solicit or induce or attempt to solicit or induce any EPCO employee or independent contractor providing services to TEPPCO or any of its affiliates to leave the employ of EPCO or to cease providing services to TEPPCO or any of its affiliates, or (B) in any way interfere with the relationship between TEPPCO or any of its affiliates and any EPCO employee or independent contractor providing services to the TEPPCO or any of its affiliates.

(ii) Any dispute, controversy or claim arising out of or in connection with this Section 10 B, including the alleged breach of Section 10 B (i) or a challenge to its validity or enforceability, shall be settled exclusively by final and binding arbitration in Tarrant County, Texas, administered by the American Arbitration Association ("AAA") in accordance with the Commercial Arbitration Rules of the AAA; *provided, however,* that nothing herein is or shall be deemed to preclude Buyer's resort to the interim relief prescribed in Section 10 B (iii), below. The arbitrator(s) shall be selected by mutual agreement of the parties, if possible. If the parties fail to reach agreement upon appointment of arbitrator(s) within thirty

days following receipt by one party of the other party's notice of desire to arbitrate, the arbitrator(s) shall be selected from a panel or panels of persons submitted by the AAA. The selection process shall be that which is set forth in the AAA Commercial Arbitration Rules then prevailing, except that, if the parties fail to select arbitrator(s) from one or more panels, AAA shall not have the power to make appointment(s) but shall continue to submit additional panels until arbitrator(s) have been selected. The jurisdiction of the arbitrator(s) and the arbitrability of any claim, defense, issue or objection raised by any party shall be decided by the arbitrator(s) in the first instance. Judgment on the award entered by the arbitrator(s) may be entered by any court having jurisdiction thereof. All aspects of the arbitration and matters subject thereto shall remain confidential. The parties will each bear their own attorneys' fees and costs in connection with any dispute or controversy, except as provided in Section 10 B (iii), below.

(iii) In the event of a breach or threatened breach by either of the Consultants of any of the provisions of this Section 10 B, TEPPCO shall have the right to seek interim relief from AAA pursuant to the Optional Rules for Emergency Measures of Protection contained in the Commercial Arbitration Rules of the AAA [including the arbitrator selection procedures provided for in such Optional Rules for Emergency Measures of Protection, which shall govern the selection of arbitrator(s) for purposes of this Section 10 B (iii)] or from a court of competent jurisdiction. The Consultants acknowledge that TEPPCO will suffer irreparable damage or injury not fully compensable by money damages, or the exact amount of which may be impossible to ascertain, and therefore will not have an adequate legal remedy. Accordingly, TEPPCO will be entitled to obtain any interim relief necessary or appropriate to prevent or curtail any such breach, threatened or actual, without the necessity of posting security or showing any actual damages or irreparable injury. Such interim relief may include, but is not limited to, (A) temporary or permanent injunctive relief for the enforcement of this Section 10 B, (B) a decree for the specific performance of this Section 10 B or (C) TEPPCO's reasonable attorneys' fees, costs and expenses related to such interim relief; provided, however, that TEPPCO agrees to pay for any Consultant's reasonable attorneys' fees, costs and expenses related to interim relief sought by TEPPCO in the event that the Consultants prevail and no such interim relief is granted. Such interim relief is in addition to any other rights TEPPCO may have, including the right to seek damages.

(iv) The Owner and each of the Operators hereby agree that this Section 10 B is a material and substantial part of the transactions contemplated by this Agreement. Each of the Operators further agrees and acknowledges that the covenants in Section 10 B (i) are reasonable with respect to their duration, scope and geographical area.

(v) The covenants in this Section 10 B are severable and separate, including within provisions, subparts or portions thereof, and the unenforceability of any specific covenant, provision or subpart thereof in this Section 10 B is not intended by any party hereto to, and shall not, affect the provisions of any other

covenant in this Section 10 B. If any arbitrator or panel of arbitrators, or any court pursuant to Section 10 B (iii) above, determines that the terms, scope, time or territorial restrictions set forth in Section 10 B (i) are unreasonable as applied to a Consultant, the parties hereto acknowledge their mutual intention and agreement that the offending provisions, subparts or portions thereof be severed and the remaining provisions and restrictions be enforced to the fullest extent permitted by law as the arbitrator(s) or court [pursuant to Section 10 B (iii) above] deems reasonable, and thereby shall be reformed to that extent. All the covenants, provisions and subparts thereof in this Section 10 B are intended by each party hereto to, and shall, be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of either of the Consultants against TEPPCO, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by TEPPCO of any covenant, provision or subpart in this Section 10 B. The covenants contained in this Section 10 B shall not be affected by any breach of any other provision hereof by any party hereto and shall not prevent any Consultant from rendering the services to TEPPCO in accordance with this Agreement.

11. **Notices.** All notices required by this Agreement shall be in writing and provided by personal delivery, United States mail, facsimile, or e-mail as follows:

If to TEPPCO: TEPPCO Marine Services, L.L.C.
1100 Louisiana Street, 16th Floor
Houston, Texas 77002
Attention: President and CEO
Facsimile: (713) 381-3957
E-Mail: jethompson@epco.com

If to Consultant: Arlen B. Cenac, Jr.
Post Office Box 2617
Houma, Louisiana 70361
Facsimile: (985) 872-0696
E-Mail: benny@cenac.com

12. **Severability; Reformation.** If any term or provision of this Agreement or the application thereof to any person or circumstance shall at any time or to any extent be determined by any court of competent jurisdiction to be invalid, illegal, or unenforceable in any respect as written, the parties intend that any court construing this Agreement modify or limit such provision so as to render it valid and enforceable to the fullest extent allowed by law. The parties further intend that any such provision that is not susceptible of such reformation shall be ignored so as not to affect any other term or provision of this Agreement, that the remainder of this Agreement shall not be affected thereby, and that each other term and provision of this Agreement shall be valid and enforced to the fullest extent permitted by law.

13. **Waiver of Breach.** The waiver by either party to a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach thereof.

14. **Assignment; Successors.** Neither party may assign any of its rights or delegate any of its responsibilities under this Agreement to any other person or entity without the prior written consent of the other party to this Agreement, except that TEPPCO may assign any of its rights and delegate any of its obligations under this Agreement to any other related or affiliated entity. In all other respects, this Agreement shall be binding upon and inure to the benefit of Consultant, TEPPCO, and their respective heirs, successors, or permitted assigns.

15. **Construction; Paragraph Headings.** The language used in this Agreement shall be deemed to be the language the parties hereto have chosen to express their mutual intent, and no rule of strict construction will be applied against any party hereto. The paragraph headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

16. **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

17. **Governing Law; Dispute Resolution.**

a. If a dispute, controversy or claim arises between the parties relating to the interpretation or performance of this Agreement or the grounds for the termination hereof ("Dispute"), appropriate senior executives of TEPPCO and Consultant who shall have authority to resolve the matter shall meet to attempt in good faith to negotiate a resolution of the Dispute prior to pursuing other available remedies. The initial meeting between the appropriate senior executives, which shall be held within 10 business days of Notice to the other party of the Dispute in Houston, Texas or such other place as the parties may mutually agree, shall be referred to herein as the "Dispute Resolution Commencement Date." Discussions and correspondence relating to attempted resolution of such Dispute shall be treated as confidential information developed for the purpose of settlement and shall be exempt from discovery or production and shall not be admissible. If the senior executives are unable to resolve the Dispute within 30 days from the Dispute Resolution Commencement Date, and any of the parties wishes to pursue such Dispute, then the Dispute shall be mediated by a mutually acceptable mediator within 30 days after written notice by one party to the other demanding non-binding mediation. No party may unreasonably withhold consent to the selection of a mediator.

The mediation shall be held in Houston, Texas or at such other place as the parties may mutually agree. TEPPCO, on one hand, and Consultant on the other hand, shall share the costs of the mediation equally, except that each party shall bear its own costs and expenses, including attorney's fees, witness fees, travel expenses, and preparation costs.

b. If mediation does not prove successful, either party may proceed as follows: This Agreement shall be governed by the general maritime laws of the United States, to the extent applicable, and otherwise by the laws of the state of Texas without regard to the application of any conflicts of law's principles which might otherwise require the application of the law of another jurisdiction. The parties further consent to personal jurisdiction in any action brought with respect to this Agreement in any federal or state court in Tarrant County, Texas and, further, that such venue shall be the exclusive venue for resolving any dispute arising under this Agreement. In addition, both Consultant and TEPPCO hereby waive their right to trial by jury in connection with any suit, action or proceeding relating to this Agreement.

18. **Entire Agreement.** This Agreement constitutes the entire Agreement of the parties with respect to the subject matter hereof. This Agreement may not be modified, amended or terminated except by a written instrument specifically referring to this Agreement signed by each of the parties hereto.

| TEPPCO MARINE SERVICES, L.L.C. | CENAC MARINE SERVICES, L.L.C. |
| --- | --- |
| By: /s/ MURRAY H . HUTCHISON | By: /s/ ARLEN B. CENAC, JR. |
| Murray H. Hutchinson, Interim Executive Chairman | Arlen B. Cenac, Jr., President |

/s/ ARLEN B. CENAC, JR.
Arlen B. Cenac, Jr., Individually

## Appendix A

The commercially navigable inland waterways of the continental United States located east of the 105º meridian, including the Mississippi River System and connecting waterways, (b) the Gulf of Mexico, including the Gulf Intra costal Waterway, (c) Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Minnesota, Mississippi, Missouri, Nebraska, North Carolina, Ohio, Oklahoma, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Virginia, West Virginia, Wisconsin and (d) the following parishes in the State of Louisiana:

Acadia
Allen
Ascension
Assumption
Avoyelles
Beauregard
Bienville
Bossier
Caddo
Calcasieu
Caldwell
Cameron
Catahoula
Claiborne
Concordia
De Soto
East Baton Rouge
East Carroll
East Feliciana
Evangeline
Franklin
Grant
Iberia
Iberville
Jackson
Jefferson
Jefferson Davis
La Salle
Lafayette
Lafourche
Lincoln
Livingston
Madison
Morehouse
Natchitoches
Orleans
Ouachita
Plaquemines
Pointe Coupee
Rapides
Red River
Richland
Sabine
St. Bernard
St. Charles
St. Helena
St. James
St. John the Baptist
St. Landry
St. Martin
St. Mary
St. Tammany
Tangipahoa
Tensas
Terrebonne
Union
Vermilion
Vernon
Washington
Webster
West Baton Rouge
West Carroll
West Feliciana
Winn

Appendix B

"Restricted Business" means the business of the Owner, as of the date of this Agreement, including, without limitation, the inland marine transportation and offshore marine transportation of (A) hydrocarbons and hydrocarbon-based products, including kerosene, gasoline, feedstocks, lube oils, lube oil base stocks, refined petroleum products and heavy olefins, (B) waste water, sediment and drilling or disposal fluids resulting from the exploration or production of hydrocarbons, and (C) delivery of bunker fuels for cruise liners and cargo ships as well as fuel oil for electric generation plants.

**Exhibit 12.1**
**Statement of Computation of Ratio of Earnings to Fixed Charges**
**(in millions)**

| | 2005 | 2006 | 2007 | 2008 | Six Months Ended June 30, 2009 |
|---|---|---|---|---|---|
| **Earnings** | | | | | |
| Income From Continuing Operations * | 138.6 | 158.5 | 132.7 | 115.5 | 78.3 |
| Fixed Charges | 93.4 | 101.9 | 119.6 | 165.8 | 77.9 |
| Distributed Income of Investments in Unconsolidated Affiliates | 37.1 | 63.5 | 122.9 | 146.1 | 89.2 |
| Capitalized Interest | (6.8) | (10.7) | (11.0) | (19.2) | (10.5) |
| Total Earnings | 262.3 | 313.2 | 364.2 | 408.2 | 234.9 |
| **Fixed Charges** | | | | | |
| Interest Expense | 81.9 | 86.2 | 101.2 | 140.0 | 64.4 |
| Capitalized Interest | 6.8 | 10.7 | 11.0 | 19.2 | 10.5 |
| Rental Interest Factor | 4.7 | 5.0 | 7.4 | 6.6 | 3.0 |
| Total Fixed Charges | 93.4 | 101.9 | 119.6 | 165.8 | 77.9 |
| **Ratio: Earnings / Fixed Charges** | 2.81 | 3.07 | 3.04 | 2.46 | 3.02 |

* Excludes discontinued operations, gain on sale of assets, provision for income taxes and equity in earnings of unconsolidated affiliates.

**Exhibit 31.1**

**Certification of Chief Executive Officer pursuant to Rule 13a-14(a) / Rule 15d-14(a), promulgated under the Securities Exchange Act of 1934, as amended**

I, Jerry E. Thompson, certify that:

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

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

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

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

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

August 6, 2009

/s/ JERRY E. THOMPSON
Jerry E. Thompson
President and Chief Executive Officer
Texas Eastern Products Pipeline Company, LLC,
as General Partner

**Exhibit 31.2**

**Certification of Chief Financial Officer pursuant to Rule 13a-14(a) / Rule 15d-14(a),
promulgated under the Securities Exchange Act of 1934, as amended**

I, Tracy E. Ohmart, certify that:

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

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

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

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

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

August 6, 2009

/s/ TRACY E. OHMART
Tracy E. Ohmart
Acting Chief Financial Officer, Controller, Assistant Treasurer and Assistant Secretary
Texas Eastern Products Pipeline Company, LLC,
as General Partner

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO SECTION 906**
**OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of TEPPCO Partners, L.P. (the "Company") on Form 10-Q for the quarter ended June 30, 2009 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, Jerry E. Thompson, President and Chief Executive Officer of Texas Eastern Products Pipeline Company, LLC, the general partner of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JERRY E. THOMPSON
Jerry E. Thompson
President and Chief Executive Officer
Texas Eastern Products Pipeline Company, LLC, General Partner

August 6, 2009

A signed original of this written statement required by Section 906 has been provided to TEPPCO Partners, L.P. and will be retained by TEPPCO Partners, L.P. and furnished to the Securities and Exchange Commission or its staff upon request.

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of TEPPCO Partners, L.P. (the "Company") on Form 10-Q for the quarter ended June 30, 2009 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, Tracy E. Ohmart, Acting Chief Financial Officer, Controller, Assistant Treasurer and Assistant Secretary of Texas Eastern Products Pipeline Company, LLC, the general partner of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ TRACY E. OHMART
Tracy E. Ohmart
Acting Chief Financial Officer, Controller, Assistant
Treasurer and Assistant Secretary
Texas Eastern Products Pipeline Company, LLC, General Partner

August 6, 2009

A signed original of this written statement required by Section 906 has been provided to TEPPCO Partners, L.P. and will be retained by TEPPCO Partners, L.P. and furnished to the Securities and Exchange Commission or its staff upon request.