SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

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

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED): JULY 26, 2001

TEPPCO PARTNERS, L.P.
(Exact name of registrant as specified in its charter)

DELAWARE	1-10403	76-0291058
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

2929 ALLEN PARKWAY P.O. BOX 2521 HOUSTON, TEXAS	77252-2521
(Address of principal executive offices)	(Zip code)

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

Item 5. Other Events

Restructuring of General Partner Interests in Operating Partnerships

On July 26, 2001, TEPPCO Partners, L.P. ("TEPPCO Partners") and its general partner, Texas Eastern Products Pipeline Company, LLC ("TEPPCO LLC") restructured the general partner ownership of TEPPCO Partners' two first-tier operating subsidiary partnerships to cause them to be wholly-owned by TEPPCO Partners. The restructuring has no adverse economic impact on TEPPCO Partners' unitholders. A revised general partner interest of TEPPCO LLC in each of TE Products Pipeline Company, Limited Partnership and TCTM, L.P. was transferred to a newly formed corporation, TEPPCO GP, Inc. ("TEPPCO GP"), which succeeded TEPPCO LLC as general partner of the two first-tier operating partnerships. The capital stock of the new subsidiary general partner and all remaining partner interests in the first-tier operating partnerships not already owned by TEPPCO Partners were transferred to TEPPCO Partners. In exchange for this contribution, TEPPCO LLC received an increased percentage interest as general partner of TEPPCO Partners. The increased percentage is the economic equivalent to the aggregate interest that TEPPCO LLC had prior to the restructuring through its combined interests in TEPPCO Partners and its first-tier operating partnerships. As a result, TEPPCO Partners holds a 99.999% limited partner interest in the two first-tier operating partnerships and TEPPCO GP holds a .001% general partner interest.

Financial Information for Operating Partnerships as Potential Guarantors of Partnership Debt Securities

In connection with the filing of a shelf registration statement on Form S-3 with the Securities and Exchange Commission concurrently with this report, TE Products Pipeline Company, Limited Partnership and TCTM, L.P., TEPPCO Partners' sole first-tier operating subsidiaries (the "Guarantor Subsidiaries"), may issue unconditional guarantees of senior or subordinated debt securities of TEPPCO Partners in the event that TEPPCO Partners issues any debt securities from time to time under the registration statement. If issued, the guarantees will be full, unconditional and joint and several.

Supplemental consolidating information for the Guarantor Subsidiaries has been included as a footnote to the consolidated financial statements previously filed under TEPPCO Partners' Form 10-K for the year ended December 31, 2000, and Form 10-Q for the quarter ended March 31, 2001. For purposes of the following consolidating information, TEPPCO Partners' and Guarantor Subsidiaries' investments in their respective subsidiaries are accounted for by the equity method of accounting.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(c) Exhibits.

23.1 Consent of KPMG LLP.

99.1 Consolidated Financial Statements of TEPPCO Partners, L.P., together with independent auditors' report thereon of KPMG LLP, as required by Item 8 of Form 10-K for the year ended December 31, 2000 and Consolidated Financial Statements of TEPPCO Partners, L.P. as required by Item 1 of Form 10-Q for the quarter ended March 31, 2001.

99.2 Contribution, Assignment and Amendment Agreement dated July 26, 2001.

SIGNATURE

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

TEPPCO PARTNERS, L.P.
(Registrant)

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

/s/ CHARLES H. LEONARD

Charles H. Leonard
Sr. Vice President, Chief Financial
Officer and Treasurer

Dated: July 27, 2001

EXHIBIT INDEX

Exhibit No.	Description
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99.1	Consolidated Financial Statements of TEPPCO Partners, L.P., together with independent auditors' report thereon of KPMG LLP, as required by Item 8 of Form 10-K for the year ended December 31, 2000 and Consolidated Financial Statements of TEPPCO Partners, L.P. as required by Item 1 of Form 10-Q for the quarter ended March 31, 2001.
99.2	Contribution, Assignment and Amendment Agreement dated July 26, 2001.

EXHIBIT 23.1

INDEPENDENT AUDITORS' CONSENT

The Partners of
TEPPCO Partners, L.P.:

We consent to incorporation by reference in the Registration Statements (No. 33-81976) and (No. 333-37112) on Form S-3 of TEPPCO Partners, L.P. of our report dated January 18, 2001, except as to Note 17, which is as of June 26, 2001, relating to the consolidated balance sheets of TEPPCO Partners, L.P. as of December 31, 2000 and 1999 and the related consolidated statements of income, partners' capital and cash flows for each of the years in the three-year period ended December 31, 2000, which report appears in the Form 8-K of TEPPCO Partners, L.P. dated July 27, 2001.

/s/ KPMG LLP

Houston, Texas
July 27, 2001

EXHIBIT 99.1

CONSOLIDATED FINANCIAL STATEMENTS
OF TEPPCO PARTNERS, L.P.

INDEX TO FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of TEPPCO Partners, L.P. as of December 31, 2000 and 1999, and the related consolidated statements of income, partners' capital, and cash flows for each of the years in the three-year period ended December 31, 2000. These consolidated financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TEPPCO Partners, L.P. as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

Houston, Texas
January 18, 2001, except as
to Note 17, which is as of
June 26, 2001

TEPPCO PARTNERS, L.P.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	DECEMBER 31, 2000	DECEMBER 31, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 27,096	$ 32,593
Accounts receivable, trade	303,394	205,766
Inventories	24,784	16,766
Other	8,123	7,884
Total current assets	363,397	263,009
Property, plant and equipment, at cost (Net of accumulated depreciation and amortization of $251,165 and $220,467)	949,705	720,919
Equity investments	241,648	--
Intangible assets	38,388	34,926
Other assets	29,672	22,519
Total assets	$1,622,810	$1,041,373
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable and accrued liabilities	$ 293,720	$ 201,660
Accounts payable, general partner	6,637	4,741
Accrued interest	18,633	13,297
Other accrued taxes	10,501	8,822
Other	28,780	14,972
Total current liabilities	358,271	243,492
Senior Notes	389,784	389,753
Other long-term debt	446,000	66,000
Other liabilities and deferred credits	3,991	3,073
Minority interest	4,296	3,429
Redeemable Class B Units held by related party	105,411	105,859
Partners' capital:		
General partner's interest	1,824	657
Limited partners' interests	313,233	229,110
Total partners' capital	315,057	229,767
Commitments and contingencies		
Total liabilities and partners' capital	$1,622,810	$1,041,373

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)

	YEARS ENDED DECEMBER 31, 2000	1999	1998
Operating revenues:			
Sales of crude oil and petroleum products	$ 2,821,943	$ 1,692,767	$ 214,463
Transportation -- refined products	119,331	123,004	119,854
Transportation -- LPGs	73,896	67,701	60,902
Transportation -- crude oil and NGLs	24,533	11,846	3,392
Mont Belvieu operations	13,334	12,849	10,880
Other	34,904	26,716	20,147
Total operating revenues	3,087,941	1,934,883	429,638
Costs and expenses:			
Purchases of crude oil and petroleum products	2,794,604	1,666,042	212,371
Operating, general and administrative	104,918	94,340	73,850
Operating fuel and power	34,655	31,265	27,131
Depreciation and amortization	35,163	32,656	26,938
Taxes -- other than income taxes	10,576	10,490	9,382
Total costs and expenses	2,979,916	1,834,793	349,672
Operating income	108,025	100,090	79,966
Interest expense	(48,982)	(31,563)	(29,784)
Interest capitalized	4,559	2,133	795
Equity earnings -- Seaway Crude Pipeline Company	12,214	--	--
Other income -- net	2,349	2,196	2,908
Income before minority interest and extraordinary loss on debt extinguishment	78,165	72,856	53,885
Minority interest	(789)	(736)	(544)
Income before extraordinary loss on debt extinguishment	77,376	72,120	53,341
Extraordinary loss on debt extinguishment, net of minority interest	--	--	(72,767)
Net income (loss)	$ 77,376	$ 72,120	$ (19,426)
Net income (loss) allocated to Limited Partner Unitholders	56,091	55,349	(18,722)
Net income allocated to Class B Unitholder	7,385	7,475	1,036
Net income (loss) allocated to General Partner	13,900	9,296	(1,740)
Total net income (loss) allocated	$ 77,376	$ 72,120	$ (19,426)
BASIC AND DILUTED INCOME (LOSS) PER LIMITED PARTNER AND CLASS B UNIT:			

Income before extraordinary loss on debt extinguishment	$ 1.89	$ 1.91	$ 1.61
Extraordinary loss on debt extinguishment	--	--	(2.21)
Net income (loss) ...	$ 1.89	$ 1.91	$ (0.60)
Weighted average Limited Partner and Class B Units outstanding:	33,594	32,917	29,655

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEARS ENDED DECEMBER 31,		
	2000	1999	1998
Cash flows from operating activities:			
Net income (loss)	$ 77,376	$ 72,120	$ (19,426)
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization .	35,163	32,656	26,938
Extraordinary loss on early extinguishment of debt	--	--	72,767
Gain on sale of property, plant and equipment	--	--	(356)
Equity in (income) loss of affiliate	(10,084)	393	189
Non-cash portion of interest expense	2,218	337	270
Increase in accounts receivable	(90,006)	(92,225)	(93,715)
Decrease (increase) in inventories	(7,567)	1,037	493
Decrease (increase) in other current assets	1,165	(2,500)	264
Increase in accounts payable and accrued expenses	106,662	93,317	106,350
Other	(6,882)	(2,065)	(559)
Net cash provided by operating activities	108,045	103,070	93,215
Cash flows from investing activities:			
Proceeds from cash investments ..	3,475	6,275	3,105
Purchases of cash investments ...	(2,000)	(3,235)	(748)
Purchase of ARCO assets	(322,640)	--	--
Purchase of fractionator assets and related intangible assets	--	--	(40,000)
Purchase of crude oil assets and NGL system	(99,508)	(2,250)	(1,989)
Proceeds from the sale of property, plant and equipment .	--	--	525
Investment in Centennial Pipeline Company	(5,040)	--	--
Capital expenditures	(68,481)	(77,431)	(23,432)
Net cash used in investing activities	(494,194)	(76,641)	(62,539)
Cash flows from financing activities:			
Principal payment, First Mortgage Notes	--	--	(326,512)
Prepayment premium, First Mortgage Notes	--	--	(70,093)
Issuance of Senior Notes	--	--	389,694
Debt issuance cost	(7,074)	--	(3,651)
Proceeds from term and revolving credit facilities	552,000	33,000	38,000
Repayments on term and revolving credit facilities	(172,000)	(5,000)	--
Issuance of Limited			

Partner Units, net	88,158	--	--
General partner's contributions	1,799	--	2,122
Distributions	(82,231)	(69,259)	(56,774)
Net cash provided by (used in) financing activities	380,652	(41,259)	(27,214)
Net increase (decrease) in cash and cash equivalents	(5,497)	(14,830)	3,462
Cash and cash equivalents at beginning of period	32,593	47,423	43,961
Cash and cash equivalents at end of period	$ 27,096	$ 32,593	$ 47,423
Non cash investing and financing activities:			
Fair value of crude oil and NGL systems purchased	$ --	$ --	$ 109,000
Liabilities assumed	--	--	(5,000)
Issuance of Class B Units	--	--	104,000
Supplemental disclosure of cash flows:			
Interest paid during the year (net of capitalized interest)	$ 36,793	$ 28,625	$ 26,179

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL
(IN THOUSANDS)

	GENERAL PARTNER'S INTEREST	LIMITED PARTNERS' INTERESTS	TOTAL
Partners' capital at December 31, 1997	$ 5,760	$ 297,207	$ 302,967
Capital contributions	1,051	--	1,051
1998 net loss allocation	(1,740)	(18,722)	(20,462)
1998 cash distributions	(5,451)	(50,750)	(56,201)
Option exercises, net of Unit repurchases	--	(169)	(169)
Partners' capital (deficit) at December 31, 1998	(380)	227,566	227,186
1999 net income allocation	9,296	55,349	64,645
1999 cash distributions	(8,259)	(53,650)	(61,909)
Option exercises, net of Unit repurchases	--	(155)	(155)
Partners' capital at December 31, 1999	657	229,110	229,767
Capital contributions	890	--	890
Issuance of Limited Partner Units, net	--	88,158	88,158
2000 net income allocation	13,900	56,091	69,991
2000 cash distributions	(13,623)	(59,943)	(73,566)
Option exercises, net of Unit repurchases	--	(183)	(183)
Partners' capital at December 31, 2000	$ 1,824	$ 313,233	$ 315,057

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. PARTNERSHIP ORGANIZATION

TEPPCO Partners, L.P. (the "Partnership"), a Delaware limited partnership, was formed in March 1990. The Partnership operates through TE Products Pipeline Company, Limited Partnership (the "Downstream Segment") and TCTM, L.P. (the "Upstream Segment"). Collectively the Downstream Segment and the Upstream Segment are referred to as "the Operating Partnerships." The Partnership owns a 99% interest as the sole limited partner interest in both the Downstream Segment and Upstream Segment.

On March 31, 2000, Texas Eastern Products Pipeline Company, a Delaware corporation and general partner of the Partnership and the Operating Partnerships, was converted into Texas Eastern Products Pipeline Company, LLC (the "Company" or "General Partner"), a Delaware limited liability company. Additionally on March 31, 2000, Duke Energy Corporation ("Duke Energy"), contributed its ownership of the General Partner to Duke Energy Field Services, LP ("DEFS"). DEFS is a joint venture between Duke Energy and Phillips Petroleum Company. Duke Energy holds a majority interest in DEFS.

The Company owns a 1% general partner interest in the Partnership and a 1% general partner interest in each Operating Partnership. The Company, as general partner, performs all management and operating functions required for the Partnership pursuant to the Agreements of Limited Partnership of TEPPCO Partners, L.P., TE Products Pipeline Company, Limited Partnership and TCTM, L.P. (the "Partnership Agreements"). The General Partner is reimbursed by the Partnership for all reasonable direct and indirect expenses incurred in managing the Partnership.

At formation, the Partnership completed an initial public offering of 26,500,000 Units representing Limited Partner Interests ("Limited Partner Units") at $10 per Unit. In connection with the formation of the Partnership, the Company received 2,500,000 Deferred Participation Interests ("DPIs"). Effective April 1, 1994, the DPIs began participating in distributions of cash and allocations of profit and loss. As of December 31, 2000, 94% of the DPIs have been converted into an equal number of Limited Partner Units, and the balance of such DPIs may be converted immediately prior to the sale of the DPIs by the Company. Pursuant to its Partnership Agreement, the Partnership has registered the resale of such Limited Partner Units with the Securities and Exchange Commission. Such Limited Partner Units may be sold from time to time on the New York Stock Exchange or otherwise at prices and terms then prevailing or in negotiated transactions. As of December 31, 2000, no such Limited Partner Units had been sold by the Company.

At December 31, 2000, the Partnership had outstanding 32,700,000 Limited Partner Units and 3,916,547 Class B Limited Partner Units ("Class B Units"). All of the Class B Units were issued to Duke Energy in connection with an acquisition of assets in 1998. The Class B Units are substantially identical to the Limited Partner Units, but they are not listed on the New York Stock Exchange. The Class B Units may be converted into Limited Partner Units upon approval by the Limited Partner Unitholders. The Company has the option to seek approval for the conversion of the Class B Units into Limited Partner Units; however, if such conversion is denied, the holder of the Class B Units will have the right to sell them to the Partnership at 95.5% of the market price of the Limited Partner Units at the time of sale. As a result of such option, the Class B Units were not included in partners' capital at December 31, 2000. Collectively, the Limited Partner Units and Class B Units are referred to as "Units."

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements include the accounts of the Partnership on a consolidated basis. The Company's 1% general partner interest in the Downstream Segment and the Upstream Segment, is accounted for as a minority interest. All significant intercompany items have been eliminated in consolidation. Certain amounts from prior years have been reclassified to conform to current presentation.

USE OF ESTIMATES

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

ENVIRONMENTAL EXPENDITURES

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

BUSINESS SEGMENTS

The Partnership operates in two segments: refined products and liquefied petroleum gases ("LPGs") transportation (Downstream Segment); and crude oil and natural gas liquids ("NGLs") transportation and marketing (Upstream Segment). The Partnership's reportable segments offer different products and services and are managed separately because each requires different business strategies.

The Upstream Segment was acquired as a unit in November 1998, and the management at the time of the acquisition was retained. The Partnership's interstate transportation operations, including rates charged to customers, are subject to regulations prescribed by the Federal Energy Regulatory Commission ("FERC"). Refined products, LPGs, crude oil and NGLs are referred to herein, collectively, as "petroleum products" or "products."

REVENUE RECOGNITION

Substantially all revenues of the Downstream Segment are derived from interstate and intrastate transportation of petroleum products, storage and terminaling of petroleum products, intrastate transportation of petrochemicals, fractionation of natural gas liquids and other ancillary services. Transportation revenues are recognized as products are delivered to customers. Storage revenues are recognized upon receipt of products into storage and upon performance of storage services. Terminaling revenues are recognized as products are out-loaded. Revenues from the sale of product inventory are recognized when the products are sold. Fractionation revenues are recognized ratably over the contract year as products are delivered to DEFS.

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

Except for crude oil purchased from time to time as inventory, TCO's policy is to purchase only crude oil for which it has a market to sell and to structure sales contracts so that crude oil price fluctuations do not materially affect the margin received. As TCO purchases crude oil, it establishes a margin by selling crude oil for physical delivery to third party users or by entering into a future delivery obligation either physically or a futures contract on the New York Mercantile Exchange ("NYMEX"). Through these transactions, TCO seeks to maintain a position that is balanced between crude oil purchases and sales and future delivery obligations. However, certain basis risks (the risk that price relationships between delivery points, classes of products or delivery periods will change) cannot be completely hedged.

USE OF DERIVATIVES

The Partnership may use derivative instruments, such as futures, swaps and options, to manage its exposure to commodity price risk and interest rate risk. For derivative contracts to qualify as a hedge, the price movements in the derivative instrument must be highly correlated with the underlying hedged commodity or obligation. Contracts that qualify as hedges and held for non-trading purposes are accounted for using the deferral method of accounting. Under this method, gains and losses are not recognized until the underlying physical transaction occurs. Deferred gains and losses related to futures are reported in the consolidated balance sheet as current assets or current liabilities. Deferred gains and losses related to swaps and options are carried off-balance sheet until instruments are settled. It is the Partnership's general policy not to acquire crude oil futures contracts or other derivative products for the purpose of speculating on price changes, however, the Partnership may take limited speculative positions to capitalize on crude oil price fluctuations. Contracts held for trading purposes are accounted for using the mark-to-market method. Under this methodology, contracts are adjusted to market value, and the gains and losses are recognized in current period income. The Partnership monitors open derivative positions with policies which limit its exposure to market risk and require reporting to management of potential financial exposure. At December 31, 2000 and 1999, outstanding commodity derivative contracts held for trading purposes were not material. Net payments or receipts under the Partnership's interest swap agreements are recorded as adjustments to interest expense.

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

INVENTORIES

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

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment, including major replacements or betterments, are recorded at cost. Replacements and renewals of minor items of property are charged to maintenance expense. Depreciation expense is computed on the straight-line method using rates based upon expected useful lives of various classes of assets (ranging from 2% to 20% per annum). Upon sale or retirement of properties regulated by the FERC, cost less salvage is normally charged to accumulated depreciation, and no gain or loss is recognized.

CAPITALIZATION OF INTEREST

The Partnership capitalizes interest on borrowed funds related to capital projects only for periods that activities are in progress to bring these projects to their intended use. The weighted average rate used to capitalize interest on borrowed funds was 7.45%, 7.01% and 7.02% for 2000, 1999 and 1998, respectively.

INCOME TAXES

The Partnership is a limited partnership. As a result, the Partnership's income or loss for federal income tax purposes is included in the tax return of the individual partners, and may vary substantially from income or loss reported for financial reporting purposes. Accordingly, no recognition has been given to federal income taxes for the Partnership's operations. At December 31, 2000 and 1999, the Partnership's reported amount of net assets for financial reporting purposes exceeded its tax basis by approximately $318 million and $293 million, respectively.

CASH FLOWS

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

NET INCOME PER UNIT

Basic net income per Unit is computed by dividing net income, after deduction of the general partner's interest, by the weighted average number of Limited Partner and Class B Units outstanding (a total of 33.6 million Units for 2000, 32.9 million Units for 1999, and 29.7 million Units for 1998). The general partner's percentage interest in net income is based on its percentage of cash distributions from Available Cash for each year (see Note 10). The general partner was allocated $13.9 million (representing 17.96%) of net income for the year ended December 31, 2000, $9.3 million (representing 12.89%) of net income for the year ended December 31, 1999, and $1.7 million (representing 8.96%) of the net loss for the year ended December 31, 1998.

Diluted net income per Unit is similar to the computation of basic net income per Unit above, except that the denominator was increased to include the dilutive effect of outstanding Unit options by application of the treasury stock method. For the years ended December 31, 2000, 1999 and 1998 the denominator was increased by 20,926 Units, 12,141 Units and 45,278 Units, respectively.

UNIT OPTION PLAN

The Partnership follows the intrinsic value based method of accounting for its stock-based compensation plans (see Note 11). Under this method, the Partnership records no compensation expense for unit options granted when the exercise price of options granted is equal to the fair market value of the Units on the date of grant.

COMPREHENSIVE INCOME

Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income" requires certain items such as foreign currency translation adjustments, minimum pension liability adjustments and unrealized gains and losses on certain investments to be reported in a financial statement. For the years ended December 31, 2000, 1999, and 1998, the Partnership's comprehensive income (loss) equaled its reported net income (loss).

NEW ACCOUNTING PRONOUNCEMENTS

Effective January 1, 2001, the Partnership adopted Statement of Financial Accounting Standards ("SFAS") No. 133 Accounting for Derivative Instruments and Hedging Activities, and SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133. These statements establish accounting and reporting standards requiring that derivative instruments, including certain derivative instruments embedded in other contracts, be recorded on the balance sheet at fair value as either assets or liabilities. The accounting for changes in the fair value of a derivative instrument depends on the intended use and designation of the derivative at its inception. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results of the hedged item in the statement of income, and requires the Partnership to formally document, designate and assess the effectiveness of the hedge transaction to receive hedge accounting. For derivatives designated as cash flow hedges, changes in fair value, to the extent the hedge is effective, are recognized in other comprehensive income until the hedged item is recognized in earnings. Overall hedge effectiveness is measured at least quarterly. Any changes in the fair value of the derivative instrument resulting from hedge ineffectiveness, as defined by SFAS 133 and measured based on the cumulative changes in the fair value of the derivative instrument and the cumulative changes in the estimated future cash flows of the hedged item, are recognized immediately in earnings. The Partnership has designated its swap agreement as a cash flow hedge.

Adoption of SFAS 133 resulted in the recognition of approximately $10 million of derivative liabilities on the Partnership's balance sheet and $10 million of hedging losses included in accumulated other comprehensive income, which is a component of Partners' capital, as the cumulative effect of a change in accounting principle as of January 1, 2001. Amounts were determined as of January 1, 2001 based on the market quote of the Partnership's interest swap agreement.

NOTE 3. ACQUISITIONS

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

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

The following table presents the unaudited pro forma results of the Partnership as though the acquisition of ARCO occurred at the beginning of the respective year (in thousands, except per Unit amounts).

	YEARS ENDED DECEMBER 31,	
	2000	1999
Revenues	$3,104,177	$1,959,863
Operating income	110,138	101,637
Net Income	75,821	71,650
Basic and diluted net income per Unit ...	$ 1.85	$ 1.90

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

NOTE 4. RELATED PARTY TRANSACTIONS

The Partnership has no employees and is managed by the Company. Pursuant to the Partnership Agreements, the Company is entitled to reimbursement of all direct and indirect expenses related to business activities of the Partnership (see Note 1).

For the years ended December 31, 2000, 1999 and 1998, direct expenses incurred by the general partner in the amount of $50.4 million, $49.6 million and $38.8 million, respectively, were charged to the Partnership. Substantially all such costs related to payroll and payroll related expenses, which included $3.2 million, $2.9 million and $1.0 million of expense for incentive compensation plans, respectively.

For the years ended December 31, 2000, 1999 and 1998, expenses for administrative service and overhead allocated to the Partnership by the general partner (including Duke Energy and its affiliates) amounted to $0.8 million, $2.1 million and $2.7 million, respectively. Such costs incurred by the general partner included general and administrative costs related to business activities of the Partnership.

Effective with the purchase of the fractionation facilities on March 31, 1998, TEPPCO Colorado, LLC ("TEPPCO Colorado"), a wholly owned subsidiary of the Downstream Segment, and DEFS entered into a twenty-year Fractionation Agreement, under which TEPPCO Colorado receives a variable fee for all fractionated volumes delivered to DEFS. Revenues recognized from the fractionation facilities totaled $7.5 and $7.3 million for the years ended December 31, 2000 and 1999, respectively, and $5.5 million for the period from April 1, 1998 through December 31, 1998. TEPPCO Colorado and DEFS also entered into a Operation and Maintenance Agreement, whereby DEFS operates and maintains the fractionation facilities. For these services, TEPPCO Colorado pays DEFS a set volumetric rate for all fractionated volumes delivered to DEFS. Expenses related to the Operation and Maintenance Agreement totaled $0.9 million and $0.8 million for the years ended December 31, 2000 and 1999, respectively, and $0.7 million for the period from April 1, 1998 through December 31, 1998.

Included with certain crude oil assets purchased from DEFS effective November 1, 1998 was the Wilcox NGL Pipeline located along the Texas Gulf Coast. The Wilcox NGL Pipeline transports NGLs for DEFS from two of their processing plants and is currently supported by demand fees that are paid by DEFS through 2005. Such fees totaled $1.1 million for each of the years ended December 31, 2000 and 1999, and $0.2 million for the two months ended December 31, 1998.

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

NOTE 5. EQUITY INVESTMENTS

Seaway is a partnership between the Upstream Segment and Phillips Petroleum Company ("Phillips"). The Upstream Segment purchased its 50-percent ownership interest in Seaway on July 20, 2000 (see Note 3). The Seaway Crude Pipeline Company Partnership Agreement provides for varying participation ratios throughout the life of the Seaway Partnership. From July 20, 2000, through May 2002, the Upstream Segment receives 80% of revenue and expense of Seaway. From June 2002 until May 2006, the Upstream Segment receives 60% of revenue and expense of Seaway. Thereafter, the sharing ratio becomes 40% of revenue and expense to the Upstream Segment.

The Partnership uses the equity method of accounting for its investment in Seaway. Summarized financial information for Seaway as of December 31, 2000 and for the period from July 20, 2000 through December 31, 2000, is presented below (in thousands):

Current assets	$ 36,883
Noncurrent assets	288,191
Current liabilities	9,220
Partners capital	325,072
Revenues	31,989
Net income	12,449

The Partnership's investment in Seaway at December 31, 2000, includes an excess investment amount of $26.4 million, net of accumulated amortization of $0.7 million. Such excess investment relates to the Partnership's allocation of the purchase price on July 20, 2000, in excess of its proportionate share of the net assets of Seaway. The excess investment is being amortized using the straight-line method over 20 years.

In August 2000, the Partnership announced the execution of definitive agreements with CMS Energy Corporation and Marathon Ashland Petroleum LLC to form Centennial Pipeline, LLC ("Centennial"). Centennial will own and operate an interstate refined petroleum products pipeline extending from the upper Texas Gulf Coast to Illinois. Each participant will own a one-third interest in Centennial. During 2000, the Partnership contributed approximately $5.0 million for its investment in Centennial. Such amount is included in the equity investment balance at December 31, 2000.

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

NOTE 6. 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:

	DECEMBER 31, 2000	DECEMBER 31, 1999
	(IN THOUSANDS)	
Crude oil	$ 14,635	$ 6,627
Gasolines	3,795	3,270
Propane	--	223
Butanes	267	605
Fuel oil	82	386
Other products	2,693	2,301
Materials and supplies	3,312	3,354
Total	$ 24,784	$ 16,766

The costs of inventories did not exceed market values at December 31, 2000 and 1999.

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

Major categories of property, plant and equipment were as follows:

	DECEMBER 31, 2000	DECEMBER 31, 1999
	(IN THOUSANDS)	
Land and right of way	$ 77,798	$ 54,240
Line pipe and fittings	739,372	521,688
Storage tanks	125,890	112,132
Buildings and improvements	13,127	8,253
Machinery and equipment	178,227	155,933
Construction work in progress	66,456	89,140
Total property, plant and equipment	$1,200,870	$ 941,386
Less accumulated depreciation and amortization	251,165	220,467
Net property, plant and equipment	$ 949,705	$ 720,919

Depreciation expense on property, plant and equipment was $33.0 million, $30.7 million and $25.5 million for the years ended December 31, 2000, 1999 and 1998, respectively.

NOTE 8. LONG TERM DEBT

SENIOR NOTES

On January 27, 1998, the Downstream Segment completed the issuance of $180 million principal amount of 6.45% Senior Notes due 2008, and $210 million principal amount of 7.51% Senior Notes due 2028 (collectively the "Senior Notes"). The 6.45% Senior Notes due 2008 are not subject to redemption prior to January 15, 2008. The 7.51% Senior Notes due 2028 may be redeemed at any time after January 15, 2008, at the option of the Downstream Segment, in whole or in part, at a premium. Net proceeds from

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

the issuance of the Senior Notes totaled approximately $386 million and was used to repay in full the $61.0 million principal amount of the 9.60% Series A First Mortgage Notes, due 2000, and the $265.5 million principal amount of the 10.20% Series B First Mortgage Notes, due 2010. The premium for the early redemption of the First Mortgage Notes totaled $70.1 million. The Partnership recorded an extraordinary charge of $73.5 million during the first quarter of 1998 (including $0.7 million allocated to minority interest), which represents the redemption premium of $70.1 million and unamortized debt issue costs related to the First Mortgage Notes of $3.4 million.

The Senior Notes do not have sinking fund requirements. Interest on the Senior Notes is payable semiannually in arrears on January 15 and July 15 of each year. The Senior Notes are unsecured obligations of the Downstream Segment and will rank on a parity with all other unsecured and unsubordinated indebtedness of the Downstream Segment. The indenture governing the Senior Notes contains covenants, including, but not limited to, covenants limiting the creation of liens securing indebtedness and sale and leaseback transactions. However, the indenture does not limit the Partnership's ability to incur additional indebtedness.

At December 31, 2000 and 1999, the estimated fair value of the Senior Notes was approximately $385 million and $356 million, respectively. Market prices for recent transactions and rates currently available to the Partnership for debt with similar terms and maturities were used to estimate fair value.

OTHER LONG TERM DEBT AND CREDIT FACILITIES

In connection with the purchase of fractionation assets from DEFS as of March 31, 1998, TEPPCO Colorado received a $38 million bank loan. The interest rate on this loan was 6.53%, which was payable quarterly. The original maturity date was April 21, 2001. This loan was refinanced by the Partnership on July 21, 2000, through the credit facility discussed below.

On May 17, 1999, the Downstream Segment entered into a five-year $75 million term loan agreement to finance construction of three new pipelines between the Partnership's terminal in Mont Belvieu, Texas and Port Arthur, Texas. This loan was refinanced by the Partnership on July 21, 2000, through the credit facility discussed below.

On May 17, 1999, the Downstream Segment entered into a five-year $25 million revolving credit agreement and the Upstream Segment entered into a three-year $30 million revolving credit agreement. Both of the credit facilities were terminated in connection with the refinancing on July 21, 2000 discussed below. The Downstream Segment did not make any borrowings under this revolving credit facility. The Upstream Segment had a $3 million principal amount outstanding under its revolving credit agreement as of July 21, 2000.

On July 14, 2000, the Partnership entered into a $75 million term loan and a $475 million revolving credit facility. On July 21, 2000, the Partnership borrowed $75 million under the term loan and $340 million under the revolving credit facility. The funds were used to finance the acquisition of the ARCO assets (see Note 3) and to refinance existing credit facilities, other than the Senior Notes. The term loan was repaid from proceeds received from the issuance of additional Limited Partner Units on October 25, 2000. The revolving facility has a three year maturity. The interest rate is based on the Partnership's option of either the lender's base rate plus a spread, or LIBOR plus a spread in effect at the time of the borrowings. The credit agreements contain restrictive financial covenants that require the Partnership to maintain a minimum level of partners' capital as well as maximum debt-to-EBITDA (earnings before interest expense, income tax expense and depreciation and amortization expense) and minimum fixed charge coverage ratios. At December 31, 2000, $446 million was outstanding under the revolving credit facility at a weighted average interest rate of 8.23%. At December 31, 2000, the carrying value of the revolving credit facility approximated its fair value.

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

On July 21, 2000, the Partnership entered into a three year swap agreement to hedge its exposure on the variable rate credit facilities. The swap agreement is based on a notional amount of $250 million. Under the swap agreement, the Partnership will pay a fixed rate of interest of 7.17% and will receive a floating rate based on a three month USD LIBOR rate. At December 31, 2000, the estimated fair value of the swap agreement was a loss of approximately $10 million.

NOTE 9. CONCENTRATIONS OF CREDIT RISK

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

NOTE 10. QUARTERLY DISTRIBUTIONS OF AVAILABLE CASH

The Partnership makes quarterly cash distributions of all of its Available Cash, generally defined as consolidated cash receipts less consolidated cash disbursements and cash reserves established by the general partner in its sole discretion. Pursuant to the Partnership Agreements, the Company receives incremental incentive cash distributions on the portion that cash distributions on a per Unit basis exceed certain target thresholds as follows:

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

The following table reflects the allocation of total distributions paid for the years ended December 31, 2000, 1999 and 1998 (in thousands, except per Unit amounts).

	YEARS ENDED DECEMBER 31,		
	2000	1999	1998
Limited Partner Units	$ 59,943	$ 53,650	$ 50,750
1% General Partner Interest	685	609	513
General Partner Incentive	12,938	7,650	4,938
Total Partners' Capital Cash Distributions	73,566	61,909	56,201
Class B Units	7,833	6,651	--
Minority Interest	832	699	573
Total Cash Distributions Paid	$ 82,231	$ 69,259	$ 56,774

Total Cash Distributions Paid Per Unit	$ 2.00	$ 1.85	$ 1.75

On February 2, 2001, the Partnership paid a cash distribution of $0.525 per Limited Partner Unit and Class B Unit for the quarter ended December 31, 2000. The fourth quarter 2000 cash distribution totaled $24.0 million.

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

NOTE 11. UNIT OPTION PLAN

During 1994, the Company adopted the Texas Eastern Products Pipeline Company 1994 Long Term Incentive Plan ("1994 LTIP"). The 1994 LTIP provides key employees with an incentive award whereby a participant is granted an option to purchase Limited Partner Units together with a stipulated number of Performance Units. Under the provisions of the 1994 LTIP, no more than one million options and two million Performance Units may be granted. Each Performance Unit creates a credit to a participant's Performance Unit account when earnings exceed a threshold. When earnings for a calendar year (exclusive of certain special items) exceed the threshold, the excess amount is credited to the participant's Performance Unit account. The balance in the account may be used to exercise Limited Partner Unit options granted in connection with the Performance Units or may be withdrawn two years after the underlying options expire, usually 10 years from the date of grant. Under the agreement for such Limited Partner Unit options, the options become exercisable in equal installments over periods of one, two, and three years from the date of the grant. Options may also be exercised by normal means once vesting requirements are met. A summary of Performance Units and Limited Partner Unit options granted under the terms of the 1994 LTIP is presented below:

	PERFORMANCE UNITS	EARNINGS THRESHOLD	EXPIRATION YEAR
Performance Unit Grants:			
1994	80,000	$ 1.00	2006
1995	70,000	$ 1.25	2007
1997	11,000	$ 1.875	2009

	OPTIONS OUTSTANDING	OPTIONS EXERCISABLE	EXERCISE RANGE
Limited Partner Unit Options:			
Outstanding at December 31, 1997	92,528	58,098	$13.81 - $14.34
Granted	111,000	--	$25.69
Became exercisable	--	26,993	$13.81 - $21.66
Exercised	(12,732)	(12,732)	$13.81 - $14.34
Outstanding at December 31, 1998	190,796	72,359	$13.81 - $21.66
Granted	162,000	--	$25.25
Became exercisable	--	40,737	$21.66 - $25.69
Exercised	(14,000)	(14,000)	$13.81 - $14.34
Outstanding at December 31, 1999	338,796	99,096	$13.81 - $25.69
Forfeited	(28,000)	(4,000)	$25.25 - $25.69
Became exercisable	--	85,365	$21.66 - $25.69
Exercised	(19,932)	(19,932)	$13.81 - $14.34
Outstanding at December 31, 2000	290,864	160,529	$13.81 - $25.69

As discussed in Note 2, the Partnership uses the intrinsic value method for recognizing stock-based compensation expense. The exercise price of all options awarded under the 1994 LTIP equaled the market price of the Partnership's Limited Partner Units on the date of grant. Accordingly, no compensation was recognized at the date of grant. Had compensation expense been determined consistent with SFAS No. 123 "Accounting for Stock-Based Compensation," compensation expense related to option grants would have totaled $93,771, $226,152 and $202,634 during 1998, 1999 and 2000, respectively. The disclosures as required by SFAS 123 are not representative of the effects on proforma net income for future years as options vest over several years and additional awards may be granted in subsequent years.

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

For purposes of determining compensation costs using the provisions of SFAS 123, the fair value of 1999 and 1998 option grants were determined using the Black-Scholes option-valuation model. The key input variables used in valuing the options were:

	1999	1998
Risk-free interest rate	4.7%	5.5%
Dividend yield	7.6%	7.8%
Unit price volatility	23%	18%
Expected option lives	6 years	6 years

NOTE 12. LEASES

The Partnership utilizes leased assets in several areas of its operations. Total rental expense during 2000, 1999 and 1998 was $10.4 million, $8.7 million and $4.8 million, respectively. The minimum rental payments under the Partnership's various operating leases for the years 2001 through 2005 are $8.7 million, $7.0 million, $6.3 million, $5.6 million and $5.4 million, respectively. Thereafter, payments aggregate $4.6 million through 2007.

NOTE 13. EMPLOYEE BENEFITS

RETIREMENT PLANS

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

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

The components of net pension benefits costs for the years ended December 31, 2000, 1999 and 1998 were as follows (in thousands):

	2000	1999	1998
Service cost benefit earned during the year	$ 2,054	$ 1,651	$ 1,699
Interest cost on projected benefit obligation ..	782	2,666	2,041
Expected return on plan assets	(663)	(2,243)	(1,555)
Amortization of prior service cost	--	2	(27)
Amortization of net transition (asset) liability	4	15	(5)
Recognized net actuarial loss	--	285	--
Settlement gain	--	--	(554)
Net pension benefits costs	$ 2,177	$ 2,376	$ 1,599

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

The assumptions affecting pension expense include:

	2000	1999	1998
Discount rate	7.50%	7.50%	6.75%
Salary increase	4.50%	4.50%	4.67%
Expected long-term rate of return on plan assets	9.25%	9.25%	9.25%

Duke Energy also sponsors an employee savings plan which covers substantially all employees. Plan contributions on behalf of the Company of $2.2 million, $2.2 million and $1.4 million were expensed in 2000, 1999 and 1998, respectively.

OTHER POSTRETIREMENT BENEFITS

Prior to April 1, 2000, the Company's employees were provided with certain health care and life insurance benefits for retired employees on a contributory and non-contributory basis. Employees became eligible for these benefits if they had met certain age and service requirements at retirement, as defined in the plans. As part of the change in ownership, the Company is no longer responsible for the liability associated with these plans. The components of net postretirement benefits cost for the years ended December 31, 2000, 1999 and 1998 were as follows (in thousands):

	2000	1999	1998
Service cost benefit earned during the year	$ 39	$ 172	$ 439
Interest cost on accumulated postretirement benefit obligation	134	500	796
Expected return on plan assets	(85)	(299)	(240)
Amortization of prior service cost	(96)	(384)	3
Amortization of net transition liability	54	217	202
Recognized net actuarial loss	--	--	173
Net postretirement benefits costs	$ 46	$ 206	$ 1,373

The assumptions affecting postretirement benefits expense include:

	2000	1999	1998
Discount rate	7.50%	7.50%	6.75%
Salary increase	4.50%	4.50%	4.67%
Expected long-term rate of return on 401(h) assets	9.25%	9.25%	9.25%
Expected long-term rate of return on RLR assets	6.75%	6.75%	6.75%
Expected long-term rate of return on VEBA assets	9.25%	9.25%	9.25%
Assumed tax rate	39.60%	39.60%	39.60%

NOTE 14. CONTINGENCIES

TOXIC TORT LITIGATION - SEYMOUR, INDIANA

In the fall of 1999 and on December 1, 2000, the Company and the Partnership were named as defendants in two separate lawsuits in Jackson County

Circuit Court, Jackson County, Indiana, in Ryan E. McCleery and Marcia S. McCleery, et al. v. Texas Eastern Corporation, et al. (including the Company and

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Partnership) and Gilbert Richards and Jean Richards v. Texas Eastern Corporation, et. al. In both cases plaintiffs contend, among other things, that the Company and other defendants stored and disposed of toxic and hazardous substances and hazardous wastes in a manner that caused the materials to be released into the air, soil and water. They further contend that the release caused damages to the plaintiffs. In their Complaints, the plaintiffs allege strict liability for both personal injury and property damage together with gross negligence, continuing nuisance, trespass, criminal mischief and loss of consortium. The plaintiffs are seeking compensatory, punitive and treble damages. The Company has filed an Answer to both complaints, denying the allegations, as well as various other motions. These cases are in the early stages of discovery and are not covered by insurance. The Company is defending itself vigorously against the lawsuits. The Partnership cannot estimate the loss, if any, associated with these pending lawsuits.

The Partnership is involved in various other claims and legal proceedings incidental to its business. In the opinion of management, these claims and legal proceedings will not have a material adverse effect on the Partnership's consolidated financial position, results of operations or cash flows.

The operations of the Partnership are subject to federal, state and local laws and regulations relating to protection of the environment. Although the Partnership believes its operations are in material compliance with applicable environmental regulations, risks of significant costs and liabilities are inherent in pipeline operations, and there can be no assurance that significant costs and liabilities will not be incurred. Moreover, it is possible that other developments, such as increasingly strict environmental laws and regulations and enforcement policies thereunder, and claims for damages to property or persons resulting from the operations of the pipeline system, could result in substantial costs and liabilities to the Partnership. The Partnership does not anticipate that changes in environmental laws and regulations will have a material adverse effect on its financial position, results of operations or cash flows in the near term.

The Partnership and the Indiana Department of Environmental Management ("IDEM") have entered into an Agreed Order that will ultimately result in a remediation program for any on-site and off-site groundwater contamination attributable to the Partnership's operations at the Seymour, Indiana, terminal. A Feasibility Study, which includes the Partnership's proposed remediation program, has been approved by IDEM. IDEM is expected to issue a Record of Decision formally approving the remediation program. After the Record of Decision has been issued, the Partnership will enter into an Agreed Order for the continued operation and maintenance of the program. The Partnership has accrued $0.6 million at December 31, 2000 for future costs of the remediation program for the Seymour terminal. In the opinion of the Company, the completion of the remediation program will not have a material adverse impact on the Partnership's financial condition, results of operations or liquidity.

The Partnership received a compliance order from the Louisiana Department of Environmental Quality ("DEQ") during 1994 relative to potential environmental contamination at the Partnership's Arcadia, Louisiana facility, which may be attributable to the operations of the Partnership and adjacent petroleum terminals of other companies. The Partnership and all adjacent terminals have been assigned to the Groundwater Division of DEQ, in which a consolidated plan will be developed. The Partnership has finalized a negotiated Compliance Order with DEQ that will allow the Partnership to continue with a remediation plan similar to the one previously agreed to by DEQ and implemented by the Company. In the opinion of the General Partner, the completion of the remediation program being proposed by the Partnership will not have a future material adverse impact on the Partnership.

Rates of interstate oil pipeline companies are currently regulated by the FERC, primarily through an index methodology, whereby a pipeline company is allowed to change its rates based on the change from year to year in the Producer Price Index for finished goods less 1% ("PPI Index"). In the alternative, interstate oil pipeline companies may elect to support rate filings by using a cost-of-service methodology, competitive market showings ("Market Based Rates") or agreements between shippers and the oil pipeline company that the rate is acceptable ("Settlement Rates").

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

On May 11, 1999, the Downstream Segment filed an application with the FERC requesting permission to charge market-based rates for substantially all refined products transportation tariffs. Along with its application for market-based rates, the Downstream Segment filed a petition for waiver pending the FERC's determination on its application for market-based rates, of the requirements that would otherwise have been imposed by the FERC's regulations requiring the Downstream Segment to reduce its rates in conformity with the PPI Index. On June 30, 1999, the FERC granted the waiver stating that it was temporary in nature and that the Downstream Segment would be required to make refunds, with interest, of all amounts collected under rates in excess of the PPI Index ceiling level after July 1, 1999, if the Downstream Segment's application for market-based rates was ultimately denied. As a result of the refund obligation potential, the Partnership has deferred all revenue recognition of rates charged in excess of the PPI Index. On December 31, 2000, the amount deferred for possible rate refund, including interest totaled approximately $2.3 million.

On July 31, 2000, the FERC issued an order granting the Downstream Segment market-based rates in certain markets and set for hearing the Downstream Segment's application for market-based rates in the Little Rock, Arkansas; Shreveport-Arcadia, Louisiana; Cincinnati-Dayton, Ohio and Memphis, Tennessee destination markets and the Shreveport, Louisiana origin market. The FERC also directed the FERC trial staff to convene a conference to explore the facts and issues regarding the Western Gulf Coast origin market. After the matter was set for hearing, the Downstream Segment and the protesting shippers entered into a settlement agreement resolving their respective differences. On January 9, 2001, the presiding Administrative Law Judge assigned to the hearing determined that the offer of settlement provided resolution of issues set for hearing in the Downstream Segment pending case in a fair and reasonable manner and in the public interest and certified the offer of settlement and recommended it to the FERC for approval. The certification of the settlement is currently before the FERC. The Partnership believes that the Administrative Law Judge's decision in this matter will be upheld by the FERC.

The settlement, if it is approved by FERC, will require the Downstream Segment to withdraw the application for market-based rates to the Little Rock, Arkansas destination market and the Arcadia, Louisiana destination in the Shreveport-Arcadia, Louisiana destination market. The Downstream Segment also has agreed to recalculate rates to these destination markets to conform with the PPI Index from July 1, 1999 and make appropriate refunds. The refund obligation under the proposed settlement as of December 31, 2000 would be $0.8 million.

On October 16, 2000 the Partnership received a settlement notice from ARCO for payment of a net aggregate amount of approximately $12.9 million in post-closing adjustments related to the purchase of the ARCO assets. A large portion of the requested adjustment relates to ARCO's indemnity for payment of accrued income taxes. The Partnership is disputing a substantial portion of the adjustments. The Partnership does not believe that payment of any amount ultimately determined would have a material adverse impact on the Partnership's financial condition and results of operations.

Substantially all of the petroleum products transported and stored by the Partnership are owned by the Partnership's customers. At December 31, 2000, the Partnership had approximately 16.4 million barrels of products in its custody owned by customers. The Partnership is obligated for the transportation, storage and delivery of such products on behalf of its customers. The Partnership maintains insurance adequate to cover product losses through circumstances beyond its control.

NOTE 15. SEGMENT DATA

The Partnership operates in two segments: refined products and LPGs transportation, which operates through the Downstream Segment; and crude oil and NGLs transportation and marketing, which operates through the Upstream Segment.

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Operations of the Downstream Segment consist of interstate transportation, storage and terminaling of petroleum products; short-haul shuttle transportation of LPGs at the Mont Belvieu, Texas complex; sale of product inventory; fractionation of natural gas liquids and other ancillary services. The Downstream Segment is one of the largest pipeline common carriers of refined petroleum products and LPGs in the United States. The Partnership owns and operates a pipeline system extending from southeast Texas through the central and midwestern United States to the northeastern United States.

The Upstream Segment gathers, stores, transports and markets crude oil principally in Oklahoma, Texas and the Rocky Mountain region; operates two trunkline NGL pipelines in South Texas; and distributes lube oils and specialty chemicals to industrial and commercial accounts. Effective with the purchase of assets from ARCO (see Note 3), the operations of the Upstream Segment also include the Partnership's 50% ownership interest in Seaway, other crude oil transportation pipelines in West Texas, undivided joint interest ownership of two crude oil pipelines systems in Texas and Oklahoma, and other terminaling and documentation services.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies discussed above (see Note 2). The crude oil and NGLs transportation and marketing segment was added by acquisition, effective November 1, 1998. The acquisition was accounted for under the purchase method of accounting.

The below table includes financial information by business segment for the years ended December 31, 2000, 1999 and 1998.

2000	DOWNSTREAM SEGMENT	UPSTREAM SEGMENT	CONSOLIDATED
		(IN THOUSANDS)	
Unaffiliated revenues	$ 236,687	$ 2,851,254	$ 3,087,941
Operating expenses, including power	118,945	2,825,808	2,944,753
Depreciation and amortization expense	27,743	7,420	35,163
Operating income	89,999	18,026	108,025
Interest expense, net	(30,573)	(13,850)	(44,423)
Equity earnings -- Seaway ...	--	12,214	12,214
Other income, net	1,269	291	1,560
Net income	$ 60,695	$ 16,681	$ 77,376
Total assets	$ 755,508	$ 867,302	$ 1,622,810
Accounts receivable, trade ..	26,182	277,212	303,394
Accounts payable and accrued liabilities	$ 12,177	$ 281,543	$ 293,720

1999	DOWNSTREAM SEGMENT	UPSTREAM SEGMENT	CONSOLIDATED
		(IN THOUSANDS)	
Unaffiliated revenues	$ 230,270	$ 1,704,613	$ 1,934,883
Operating expenses, including power	113,768	1,688,369	1,802,137
Depreciation and amortization expense	27,109	5,547	32,656
Operating income	89,393	10,697	100,090

Interest expense, net	(29,212)	(218)	(29,430)
Other income, net	1,046	414	1,460
Net income	$ 61,227	$ 10,893	$ 72,120
Total assets	$ 721,797	$ 319,576	$ 1,041,373
Accounts receivable, trade ..	22,358	183,408	205,766
Accounts payable and accrued liabilities	$ 7,412	$ 194,248	$ 201,660

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

	DOWNSTREAM SEGMENT	UPSTREAM SEGMENT	CONSOLIDATED
1998		(IN THOUSANDS)	
Unaffiliated revenues	$ 211,783	$ 217,855	$ 429,638
Operating expenses, including power	107,102	215,632	322,734
Depreciation and amortization expense	26,040	898	26,938
Operating income	78,641	1,325	79,966
Interest expense, net	(28,982)	(7)	(28,989)
Other income, net	2,343	21	2,364
Income before extraordinary item	52,002	1,339	53,341
Total assets	$ 694,636	$ 222,283	$ 916,919
Accounts receivable, trade ...	17,740	95,801	113,541
Accounts payable and accrued liabilities	$ 8,513	$ 109,420	$ 117,933

NOTE 16. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
	(IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)			
2000 (1)				
Operating revenues	$ 750,692	$ 747,704	$ 749,898	$ 839,647
Operating income	30,767	20,151	21,907	35,200
Net income	$ 23,881	$ 13,570	$ 17,189	$ 22,736
Basic and diluted income per Limited Partner and Class B Unit (1)	$ 0.60	$ 0.35	$ 0.41	$ 0.53
1999				
Operating revenues	$ 286,090	$ 455,351	$ 554,368	$ 639,074
Operating income	30,469	21,016	20,406	28,199
Net income	23,372	14,029	13,370	21,349
Basic and diluted income per Limited Partner and Class B Unit	$ 0.64	$ 0.38	$ 0.32	$ 0.57

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(1) Per Unit calculation includes 3,700,000 Limited Partner Units issued on October 25, 2000.

NOTE 17. SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION

In connection with the Partnership's filing of a shelf registration statement on Form S-3 with the Securities and Exchange Commission, TE Products Pipeline Company, Limited Partnership and TCTM, L.P., the Partnership's sole first-tier operating subsidiaries (the "Guarantor Subsidiaries"), may issue unconditional guarantees of senior or subordinated debt securities of the Partnership in the event that the Partnership issues such securities from time to time under the registration statement. In July 2001, the Partnership restructured the ownership of the general partner interests in these first-tier operating subsidiaries to cause them to be wholly-owned by the Partnership. If issued, the guarantees will be full, unconditional and joint and several. For purposes of the following consolidating information, the Partnership and Guarantor Subsidiaries investments in their respective subsidiaries are accounted for by the equity method of accounting.

DECEMBER 31, 2000	TEPPCO PARTNERS, L.P.	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES
	(IN THOUSANDS)		
Assets			
Current assets	$ 6,083	$ 52,773	$ 315,488
Property, plant and equipment - net	--	640,657	309,048
Equity investments	420,433	202,811	236,232
Intercompany notes receivable .	441,836	--	--
Other assets	5,322	15,385	48,475
Total assets	$ 873,674	$ 911,626	$ 909,243
Liabilities and Partners' Capital			
Current liabilities	$ 7,206	$ 45,085	$ 318,049
Long term debt	446,000	389,784	--
Intercompany notes payable	--	48,037	393,799
Other long term liabilities and minority interest	--	3,991	--
Redeemable Class B Units held by related party	105,411	--	--
Total partners' capital	315,057	424,729	197,395
Total liabilities and partners' capital	$ 873,674	$ 911,626	$ 909,243

DECEMBER 31, 2000	CONSOLIDATING ADJUSTMENTS	TEPPCO PARTNERS, L.P. CONSOLIDATED
	(IN THOUSANDS)	
Assets		
Current assets	$ (10,947)	$ 363,397
Property, plant and equipment - net	--	949,705
Equity investments	(617,828)	241,648
Intercompany notes receivable	(441,836)	--
Other assets	(1,122)	68,060
Total assets	$ (1,071,733)	$ 1,622,810
Liabilities and Partners' Capital		
Current liabilities	$ (12,069)	$ 358,271
Long term debt	--	835,784
Intercompany notes payable ...	(441,836)	--
Other long term liabilities and minority interest	4,296	8,287
Redeemable Class B Units held by related party	--	105,411
Total partners' capital	(622,124)	315,057
Total liabilities and		

partners' capital	$ (1,071,733)	$ 1,622,810

DECEMBER 31, 1999	TEPPCO PARTNERS, L.P.	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES
	(IN THOUSANDS)		
Assets			
Current assets	$ --	$ 51,267	$ 211,808
Property, plant and equipment - net	--	609,870	111,049
Equity investments	337,984	116,872	--
Other assets	--	19,295	40,502
Total assets	$ 337,984	$ 797,304	$ 363,359
Liabilities and Partners' Capital			
Current liabilities	$ 2,358	$ 38,066	$ 205,488
Long term debt	--	414,753	41,000
Other long term liabilities and minority interest	--	3,073	--
Redeemable Class B Units held by related party	105,859	--	--
Total partners' capital	229,767	341,412	116,871
Total liabilities and partners' capital	$ 337,984	$ 797,304	$ 363,359

DECEMBER 31, 1999	CONSOLIDATING ADJUSTMENTS	TEPPCO PARTNERS, L.P. CONSOLIDATED
	(IN THOUSANDS)	
Assets		
Current assets	$ (66)	$ 263,009
Property, plant and equipment - net	--	720,919
Equity investments	(454,856)	--
Other assets	(2,352)	57,445
Total assets	$ (457,274)	$ 1,041,373
Liabilities and Partners' Capital		
Current liabilities	$ (2,420)	$ 243,492
Long term debt	--	455,753
Other long term liabilities and minority interest	3,429	6,502
Redeemable Class B Units held by related party	--	105,859
Total partners' capital	(458,283)	229,767
Total liabilities and partners' capital	$ (457,274)	$ 1,041,373

YEAR ENDED DECEMBER 31, 2000	TEPPCO PARTNERS, L.P.	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES
		(IN THOUSANDS)	
Operating revenues	$ --	$ 229,234	$ 2,858,707
Costs and expenses	--	143,793	2,836,123
Operating income	--	85,441	22,584
Interest expense - net	(17,773)	(27,572)	(16,851)
Equity earnings	77,376	18,602	12,214
Other income - net	17,773	1,694	655
Income before minority interest	77,376	78,165	18,602
Minority interest	--	--	--
Net income	$ 77,376	$ 78,165	$ 18,602

YEAR ENDED DECEMBER 31, 2000	CONSOLIDATING ADJUSTMENTS	TEPPCO PARTNERS, L.P. CONSOLIDATED
	(IN THOUSANDS)	
Operating revenues	$ --	$ 3,087,941
Costs and expenses	--	2,979,916
Operating income	--	108,025
Interest expense - net	17,773	(44,423)
Equity earnings	(95,978)	12,214
Other income - net	(17,773)	2,349
Income before minority interest	(95,978)	78,165
Minority interest	(789)	(789)
Net income	$ (96,767)	$ 77,376

YEAR ENDED DECEMBER 31, 1999	TEPPCO PARTNERS, L.P.	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES
		(IN THOUSANDS)	
Operating revenues	$ --	$ 222,915	$ 1,711,968
Costs and expenses	--	138,035	1,696,758
Operating income	--	84,880	15,210
Interest expense - net	--	(26,682)	(2,748)
Equity earnings	72,120	13,188	--
Other income - net	--	1,470	726
Income before minority interest	72,120	72,856	13,188
Minority interest	--	--	--
Net income	$ 72,120	$ 72,856	$ 13,188

YEAR ENDED DECEMBER 31, 1999	CONSOLIDATING ADJUSTMENTS	PARTNERS, L.P. CONSOLIDATED
	(IN THOUSANDS)	
Operating revenues	$ --	$ 1,934,883
Costs and expenses	--	1,834,793
Operating income	--	100,090
Interest expense - net	--	(29,430)
Equity earnings	(85,308)	--
Other income - net	--	2,196
Income before minority interest	(85,308)	72,856
Minority interest	(736)	(736)
Net income	$ (86,044)	$ 72,120

YEAR ENDED DECEMBER 31, 1998	TEPPCO PARTNERS, L.P.	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES
		(IN THOUSANDS)	
Operating revenues	$ --	$ 206,259	$ 223,379
Costs and expenses	--	130,934	218,738
Operating income	--	75,325	4,641
Interest expense - net	--	(27,095)	(1,894)
Equity earnings	(19,426)	2,855	--
Other income - net	--	2,800	108
Income (loss) before minority interest and extraordinary item	(19,426)	53,885	2,855
Minority interest	--	--	--
Extraordinary loss on debt extinguishment	--	(73,509)	--
Net income (loss)	$ (19,426)	$ (19,624)	$ 2,855

YEAR ENDED DECEMBER 31, 1998	CONSOLIDATING ADJUSTMENTS	TEPPCO PARTNERS, L.P. CONSOLIDATED
	(IN THOUSANDS)	
Operating revenues	$ --	$ 429,638
Costs and expenses	--	349,672
Operating income	--	79,966
Interest expense - net	--	(28,989)
Equity earnings	16,571	--
Other income - net	--	2,908
Income (loss) before minority interest and extraordinary item	16,571	53,885
Minority interest	(544)	(544)
Extraordinary loss on debt extinguishment	742	(72,767)
Net income (loss)	$ 16,769	$ (19,426)

YEAR ENDED DECEMBER 31, 2000	TEPPCO PARTNERS, L.P.	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES
	(IN THOUSANDS)		
Cash flows from operating activities			
Net income	$ 77,376	$ 78,165	$ 18,602
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	--	25,728	9,435
Equity earnings, net of distributions	4,025	(1,962)	(10,260)
Changes in assets and liabilities and other ...	7,242	1,046	845
Net cash provided by operating activities	88,643	102,977	18,622
Cash flows from investing activities	(535,048)	(67,225)	(434,113)
Cash flows from financing activities	446,405	(42,870)	417,112
Net increase (decrease) in cash and cash equivalents .	--	(7,118)	1,621
Cash and cash equivalents at beginning of period	--	16,284	16,309
Cash and cash equivalents at end of period	$ --	$ 9,166	$ 17,930

YEAR ENDED DECEMBER 31, 2000	CONSOLIDATING ADJUSTMENTS	TEPPCO PARTNERS, L.P. CONSOLIDATED
	(IN THOUSANDS)	
Cash flows from operating activities		
Net income	$ (96,767)	$ 77,376
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	--	35,163
Equity earnings, net of distributions	(1,887)	(10,084)
Changes in assets and liabilities and other ...	(3,543)	5,590
Net cash provided by operating activities	(102,197)	108,045
Cash flows from investing activities	542,192	(494,194)
Cash flows from financing activities	(439,995)	380,652
Net increase (decrease) in cash and cash equivalents..	--	(5,497)
Cash and cash equivalents at beginning of period	--	32,593
Cash and cash equivalents		

at end of period	$ --	$ 27,096

YEAR ENDED DECEMBER 31, 1999	TEPPCO PARTNERS, L.P.	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES
		(IN THOUSANDS)	
Cash flows from operating activities			
Net income	$ 72,120	$ 72,856	$ 13,188
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	--	25,094	7,562
Equity earnings, net of distributions ...	(3,561)	(5,144)	--
Changes in assets and liabilities and other...	369	451	(2,917)
Net cash provided by operating activities	68,928	93,257	17,833
Cash flows from investing activities	--	(66,282)	(10,359)
Cash flows from financing activities	(68,928)	(44,628)	(4,651)
Net increase (decrease) in cash and cash equivalents	--	(17,653)	2,823
Cash and cash equivalents at beginning of period	--	33,937	13,486
Cash and cash equivalents at end of period	$ --	$ 16,284	$ 16,309

YEAR ENDED DECEMBER 31, 1999	CONSOLIDATING ADJUSTMENTS	TEPPCO PARTNERS, L.P. CONSOLIDATED
	(IN THOUSANDS)	
Cash flows from operating activities		
Net income	$ (86,044)	$ 72,120
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	--	32,656
Equity earnings, net of distributions ...	9,098	393
Changes in assets and liabilities and other .	(2)	(2,099)
Net cash provided by operating activities	(76,948)	103,070
Cash flows from investing activities	--	(76,641)
Cash flows from financing activities	76,948	(41,259)
Net increase (decrease) in cash and cash		

equivalents	--	(14,830)
Cash and cash equivalents at beginning of period	--	47,423
Cash and cash equivalents at end of period	$ --	$ 32,593

YEAR ENDED DECEMBER 31, 1998	TEPPCO PARTNERS, L.P.	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES
		(IN THOUSANDS)	
Cash flows from operating activities			
Net income (loss)	$ (19,426)	$ (19,624)	$ 2,855
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	--	24,529	2,409
Extraordinary loss on debt extinguishment	--	73,509	--
Equity earnings, net of distributions	75,627	(2,666)	--
Changes in assets and liabilities and other	1,989	3,381	8,822
Net cash provided by operating activities	58,190	79,129	14,086
Cash flows from investing activities	--	(19,828)	(42,711)
Cash flows from financing activities	(58,190)	(69,325)	42,111
Net increase (decrease) in cash and cash equivalents	--	(10,024)	13,486
Cash and cash equivalents at beginning of period	--	43,961	--
Cash and cash equivalents at end of period	$ --	$ 33,937	$ 13,486

YEAR ENDED DECEMBER 31, 1998	CONSOLIDATING ADJUSTMENTS	TEPPCO PARTNERS, L.P. CONSOLIDATED
	(IN THOUSANDS)	
Cash flows from operating activities		
Net income (loss)	$ 16,769	$ (19,426)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	--	26,938
Extraordinary loss on debt extinguishment	(742)	72,767
Equity earnings, net of distributions	(72,772)	189
Changes in assets and liabilities and other	(1,445)	12,747
Net cash provided by operating activities	(58,190)	93,215

Cash flows from investing activities	--	(62,539)
Cash flows from financing activities	58,190	(27,214)
Net increase (decrease) in cash and cash equivalents	--	3,462
Cash and cash equivalents at beginning of period	--	43,961
Cash and cash equivalents at end of period	$ --	$ 47,423

TEPPCO PARTNERS, L.P.

CONSOLIDATED BALANCE SHEETS
(in thousands)

	MARCH 31, 2001	DECEMBER 31, 2000
	(UNAUDITED)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 16,812	$ 27,096
Accounts receivable, trade	264,844	303,394
Inventories	27,361	24,784
Other	9,221	8,123
Total current assets	318,238	363,397
Property, plant and equipment, at cost (Net of accumulated depreciation and amortization of $260,345 and $251,165)	969,917	949,705
Equity investments	238,295	241,648
Intangible assets	36,746	38,388
Other assets	33,341	29,672
Total assets	$ 1,596,537	$ 1,622,810
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable and accrued liabilities	$ 264,333	$ 293,720
Accounts payable, general partner	6,393	6,637
Accrued interest	7,134	18,633
Other accrued taxes	8,797	10,501
Other	26,525	28,780
Total current liabilities	313,182	358,271
Senior Notes	389,791	389,784
Other long-term debt	413,000	446,000
Other liabilities and deferred credits	10,538	3,991
Minority interest	4,883	4,296
Redeemable Class B Units held by related party	105,547	105,411
Partners' capital:		
General partner's interest	2,749	1,824
Limited partners' interests	369,211	313,233
Accumulated other comprehensive loss	(12,364)	--
Total partners' capital	359,596	315,057
Total liabilities and partners' capital	$ 1,596,537	$ 1,622,810

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)
(IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)

	THREE MONTHS ENDED MARCH 31, 2001	THREE MONTHS ENDED MARCH 31, 2000
Operating revenues:		
Sales of crude oil and petroleum products	$ 707,481	$ 682,785
Transportation - Refined products	26,181	28,030
Transportation - LPGs	24,999	23,117
Transportation - crude oil and NGLs	10,909	4,129
Mont Belvieu operations	2,897	4,471
Other - Net	12,768	8,160
Total operating revenues	785,235	750,692
Costs and expenses:		
Purchases of crude oil and petroleum products ..	698,576	677,413
Operating, general and administrative	27,950	24,234
Operating fuel and power	8,614	7,513
Depreciation and amortization	9,907	8,247
Taxes - other than income taxes	3,882	2,518
Total costs and expenses	748,929	719,925
Operating income	36,306	30,767
Interest expense	(16,294)	(8,434)
Interest capitalized	345	1,010
Equity earnings - Seaway Crude Pipeline Company ..	5,206	--
Other income - net	434	782
Income before minority interest	25,997	24,125
Minority interest	(262)	(244)
Net Income	$ 25,735	$ 23,881
Net Income Allocation:		
Limited Partner Unitholders	$ 18,611	$ 17,533
Class B Unitholder	2,192	2,368
General Partner	4,932	3,980
Total net income allocated	$ 25,735	$ 23,881
Basic and diluted net income per Limited Partner and Class B Unit	$ 0.55	$ 0.60
Weighted average Limited Partner and Class B Units outstanding	37,889	32,917

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(IN THOUSANDS)

	THREE MONTHS ENDED MARCH 31, 2001	THREE MONTHS ENDED MARCH 31, 2000
Cash flows from operating activities:		
Net income	$ 25,735	$ 23,881
Depreciation and amortization	9,907	8,247
Earnings in equity investments, net of distributions	6,300	(78)
Noncash portion of interest expense	520	98
Decrease (increase) in accounts receivable, trade	38,550	(37,507)
Decrease (increase) in inventories	(2,577)	4,737
Increase in other current assets	(1,099)	(588)
Increase (decrease) in accounts payable and accrued expenses	(51,236)	29,856
Other	(3,475)	124
Net cash provided by operating activities	22,625	28,770
Cash flows from investing activities:		
Proceeds from cash investments	1,000	--
Purchase of crude oil assets	(20,000)	--
Proceeds from the sale of assets	1,300	--
Investment in Centennial Pipeline Company	(2,947)	--
Capital expenditures	(10,940)	(18,013)
Net cash used in investing activities	(31,587)	(18,013)
Cash flows from financing activities:		
Proceeds from term loan and revolving credit facility	8,000	20,000
Repayment on revolving credit facility	(41,000)	--
Proceeds from the issuance of Limited Partner Units, net	54,588	--
General Partner contributions	1,114	--
Distributions	(24,024)	(18,305)
Net cash provided by (used in) financing activities	(1,322)	1,695
Net increase (decrease) in cash and cash equivalents	(10,284)	12,452
Cash and cash equivalents at beginning of period	27,096	32,593
Cash and cash equivalents at end of period	$ 16,812	$ 45,045
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS:		
Interest paid during the period (net of capitalized interest)	$ 26,656	$ 13,835

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1. ORGANIZATION AND BASIS OF PRESENTATION

TEPPCO Partners, L.P. (the "Partnership"), a Delaware limited partnership, was formed in March 1990. The Partnership operates through TE Products Pipeline Company, Limited Partnership (the "Downstream Segment") and TCTM, L.P. (the "Upstream Segment"). Collectively the Downstream Segment and the Upstream Segment are referred to as "the Operating Partnerships." The Partnership owns a 99% interest as the sole limited partner in both the Downstream Segment and Upstream Segment.

On March 31, 2000, Texas Eastern Products Pipeline Company, a Delaware corporation and general partner of the Partnership and the Operating Partnerships, was converted into Texas Eastern Products Pipeline Company, LLC (the "Company" or "General Partner"), a Delaware limited liability company. Additionally on March 31, 2000, Duke Energy Corporation ("Duke Energy"), contributed its ownership of the General Partner to Duke Energy Field Services, LP ("DEFS"). DEFS is a joint venture between Duke Energy and Phillips Petroleum Company. Duke Energy holds a majority interest in DEFS.

The Company owns a 1% general partner interest in the Partnership and a 1% general partner interest in each Operating Partnership. The Company, as general partner, performs all management and operating functions required for the Partnership pursuant to the Agreements of Limited Partnership of TEPPCO Partners, L.P., TE Products Pipeline Company, Limited Partnership and TCTM, L.P. (the "Partnership Agreements"). The General Partner is reimbursed by the Partnership for all reasonable direct and indirect expenses incurred in managing the Partnership.

In July 2001, the Partnership restructured the ownership of the general partner interests in the Operating Partnerships to cause them to be wholly-owned by the Partnership. As of such date, a wholly-owned subsidiary of the Partnership has succeeded the Company as general partner of each of the Operating Partnerships and the new general partner owns a .001% general partner interest in each of the Operating Partnerships.

The accompanying unaudited consolidated financial statements reflect all adjustments, which are, in the opinion of management, of a normal and recurring nature and necessary for a fair statement of the financial position of the Partnership as of March 31, 2001, and the results of operations and cash flows for the periods presented. The results of operations for the three months ended March 31, 2001, are not necessarily indicative of results of operations for the full year 2001. The interim financial statements should be read in conjunction with the Partnership's 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, 2000. Certain amounts from the prior year have been reclassified to conform to current presentation.

The Partnership operates in two segments: refined products and liquefied petroleum gases ("LPGs") transportation (Downstream Segment); and crude oil and natural gas liquids ("NGLs") transportation and marketing (Upstream Segment). The Partnership's reportable segments offer different products and services and are managed separately because each requires different business strategies. The Upstream Segment was acquired as a unit in November 1998, and the management at the time of the acquisition was retained. The Partnership's interstate transportation operations, including rates charged to customers, are subject to regulations prescribed by the Federal Energy Regulatory Commission ("FERC"). Refined products, LPGs, crude oil and NGLs are referred to herein, collectively, as "petroleum products" or "products.

Basic net income per Unit is computed by dividing net income, after deduction of the general partner's interest, by the weighted average number of Limited Partner Units and Class B Units outstanding (a total of 37.9 million Units for the three months ended March 31, 2001, and 32.9 million Units for the three months ended March 31, 2000). The General Partner's percentage interest in net income is based on its percentage of cash distributions from Available Cash for each period (see Note 7. Quarterly Distributions of Available Cash). The General Partner was allocated $4.9 million (representing 19.17%) and $4.0 million (representing 16.66%) of net income for the three months ended March 31, 2001, and 2000, respectively.

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
(UNAUDITED)

Diluted net income per Unit is similar to the computation of basic net income per Unit above, except that the denominator was increased to include the dilutive effect of outstanding Unit options by application of the treasury stock method. For the quarters ended March 31, 2001 and 2000, the denominator was increased by 26,180 Units and 19,457 Units, respectively.

NOTE 2. NEW ACCOUNTING PRONOUNCEMENTS

Effective January 1, 2001, the Partnership adopted Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities. This statement establishes accounting and reporting standards requiring that derivative instruments (including certain derivative instruments embedded in other contracts) be recorded at fair value and included in the balance sheet as assets or liabilities. The accounting for changes in the fair value of a derivative instrument depends on the intended use of the derivative and the resulting designation, which is established at the inception of a derivative. Special accounting for derivatives qualifying as fair value hedges allows a derivative's gains and losses to offset related results on the hedged item in the statement of income. For derivative instruments designated as cash flow hedges, changes in fair value, to the extent the hedge is effective, are recognized in other comprehensive income until the hedged item is recognized in earnings. Hedge effectiveness is measured at least quarterly based on the relative cumulative changes in fair value between the derivative contract and the hedged item over time. Any change in fair value resulting from ineffectiveness, as defined by SFAS 133, is recognized immediately in earnings.

Adoption of SFAS 133 at January 1, 2001 resulted in the recognition of $10.1 million of derivative liabilities, $4.1 million of which are included in current liabilities and $6.0 million of which are included in other noncurrent liabilities on the Partnership's balance sheet, and $10.1 million of hedging losses included in accumulated other comprehensive loss, a component of Partners' capital, as the cumulative effect of the change in accounting principle. The hedging losses included in accumulated other comprehensive loss will be transferred to earnings as the forecasted transactions actually occur. Approximately $4.1 million of the loss included in accumulated other comprehensive loss as of January 1, 2001 is anticipated to be transferred into earnings over the next twelve months. The cumulative effect of the accounting change had no effect on the Partnership's net income or its earnings per Unit amounts for the quarter ended March 31, 2001. Amounts were determined as of January 1, 2001 based on quoted market values, the Partnership's portfolio of derivative instruments, and the Partnership's measurement of hedge effectiveness.

From time to time, the Partnership has utilized and expects to continue to utilize derivative financial instruments with respect to a portion of its interest rate risks and its crude oil marketing activities to achieve a more predictable cash flow by reducing its exposure to interest rate and crude oil price fluctuations. These transactions generally are swaps and forwards and are entered into with major financial institutions or commodities trading institutions. Derivative financial instruments used in the Partnership's Upstream Segment are intended to reduce the Partnership's exposure to fluctuations in the market price of crude oil, while derivative financial instruments related to the Partnership's interest rate risks are intended to reduce the Partnership's exposure to increases in the benchmark interest rates underlying the Partnership's variable rate revolving credit facility. Through December 31, 2000, gains and losses from financial instruments used in the Partnership's Upstream Segment have been recognized in revenues for the periods to which the derivative financial instruments relate and gain and losses from its interest rate financial instruments have been recognized in interest expense for the periods to which the derivative financial instrument relate.

As of March 31, 2001, the Upstream Segment had open positions on certain speculative option contracts. During the three months ended March 31, 2001, a loss of $13,000 was recognized on such contracts.

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
(UNAUDITED)

Also as of March 31, 2001, the Partnership had in place an interest rate swap agreement to hedge its exposure to increases in the benchmark interest rate underlying the variable rate revolving credit facilities. The swap agreement is based on a notional amount of $250 million. Under the swap agreement, the Partnership pays a fixed rate of interest of 7.17% and receives a floating rate based on a three month USD LIBOR rate. The interest rate swap is designated as a cash flow hedge, therefore, the changes in fair value, to the extent the swap is effective, are recognized in other comprehensive income until the hedged interest costs are recognized in earnings. During the quarter ended March 31, 2001, the Partnership recognized $0.8 million in losses, included in interest expense, on the interest rate swap attributable to interest costs occurring in the first quarter of 2001. No gain or loss from ineffectiveness was required to be recognized. The fair value of the interest rate swap agreement was a loss of approximately $13.7 million at March 31, 2001. Approximately $6.1 million (inclusive of the $4.1 million related to the cumulative effect of the accounting change not yet recognized) of such amount is anticipated to be transferred into earnings over the next twelve months.

During the first quarter of 2001, the Partnership executed three treasury rate lock agreements to hedge its exposure to increases in the treasury rate that will be used to establish the fixed interest rate for the debt offering that is probable to occur in the second quarter of 2001. The treasury rate lock agreements are based on notional amounts of $200 million, $100 million and $100 million. Under the treasury rate lock agreements, the Partnership pays a fixed rate of interest of 5.0%, 4.9% and 4.8%, respectively, and receives a floating rate based on the three month treasury rate. The treasury rate locks are designated as cash flow hedges, therefore, the changes in fair value, to the extent the treasury rate locks are effective, are recognized in other comprehensive income until the actual debt offering occurs. Upon completion of the debt offering, the realized gain or loss on the treasury rate locks will be amortized out of accumulated other comprehensive income into interest expense over the life of the debt obligation. The fair value of the three treasury rate locks was a gain of approximately $1.3 million at March 31, 2001.

NOTE 3. ACQUISITIONS

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

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
(UNAUDITED)

The following table presents the unaudited pro forma results of the Partnership as though the acquisition of ARCO occurred at the beginning of 2000 (in thousands, except per Unit amounts).

	QUARTER ENDED MARCH 31, 2000
Revenues	$758,197
Net Income	22,302
Basic and diluted net income per Limited Partner and Class B Unit	$ 0.56

NOTE 4. INVENTORIES

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

	MARCH 31, 2001	DECEMBER 31, 2000
Crude oil	$ 15,070	$ 14,635
Gasolines	4,197	3,795
Butanes	454	267
Fuel oil	242	82
Other products	3,650	2,693
Materials and supplies	3,748	3,312
Total	$ 27,361	$ 24,784

The costs of inventories did not exceed market values at March 31, 2001, and December 31, 2000.

NOTE 5. EQUITY INVESTMENTS

Seaway is a partnership between the Upstream Segment and Phillips Petroleum Company ("Phillips"). The Upstream Segment purchased its 50-percent ownership interest in Seaway on July 20, 2000 (see Note 3. Acquisitions). The Seaway Crude Pipeline Company Partnership Agreement provides for varying participation ratios throughout the life of the Seaway Partnership. From July 20, 2000, through May 2002, the Upstream Segment receives 80% of revenue and expense of Seaway. From June 2002 until May 2006, the Upstream Segment receives 60% of revenue and expense of Seaway. Thereafter, the sharing ratio becomes 40% of revenue and expense to the Upstream Segment.

The Partnership uses the equity method of accounting for its investment in Seaway. Summarized financial information for Seaway as of and for the three months ended March 31, 2001 is presented below (in thousands):

Current assets	$ 23,960
Non current assets	286,264
Current liabilities	2,395
Partners' capital	307,829
Revenues	15,486
Net income	$ 6,978

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
(UNAUDITED)

NOTE 6. LONG TERM DEBT

SENIOR NOTES

On January 27, 1998, the Downstream Segment completed the issuance of $180 million principal amount of 6.45% Senior Notes due 2008, and $210 million principal amount of 7.51% Senior Notes due 2028 (collectively the "Senior Notes"). The 6.45% Senior Notes due 2008 are not subject to redemption prior to January 15, 2008. The 7.51% Senior Notes due 2028 may be redeemed at any time after January 15, 2008, at the option of the Downstream Segment, in whole or in part, at a premium.

The Senior Notes do not have sinking fund requirements. Interest on the Senior Notes is payable semiannually in arrears on January 15 and July 15 of each year. The Senior Notes are unsecured obligations of the Downstream Segment and will rank on a parity with all other unsecured and unsubordinated indebtedness of the Downstream Segment. The indenture governing the Senior Notes contains covenants, including, but not limited to, covenants limiting the creation of liens securing indebtedness and sale and leaseback transactions. However, the indenture does not limit the Partnership's ability to incur additional indebtedness.

OTHER LONG TERM DEBT AND CREDIT FACILITIES

On July 14, 2000, the Partnership entered into a $75 million term loan and a $475 million revolving credit facility. On July 21, 2000, the Partnership borrowed $75 million under the term loan and $340 million under the revolving credit facility. The funds were used to finance the acquisition of the ARCO assets (see Note 3. Acquisitions) and to refinance existing credit facilities, other than the Senior Notes. The term loan was repaid from proceeds received from the issuance of additional Limited Partner Units on October 25, 2000. The revolving facility has a three year maturity. The interest rate is based on the Partnership's option of either the lender's base rate plus a spread, or LIBOR plus a spread in effect at the time of the borrowings. The credit agreements contain restrictive financial covenants that require the Partnership to maintain a minimum level of partners' capital as well as maximum debt-to-EBITDA (earnings before interest expense, income tax expense and depreciation and amortization expense) and minimum fixed charge coverage ratios. At March 31, 2001, $413 million was outstanding under the revolving credit facility at a weighted average interest rate of 6.4% (see Note 11. Subsequent Events).

On July 21, 2000, the Partnership entered into a three year swap agreement to hedge its exposure on the variable rate credit facilities. The swap agreement is based on a notional amount of $250 million. Under the swap agreement, the Partnership pays a fixed rate of interest of 7.17% and receives a floating rate based on a three month USD LIBOR rate.

NOTE 7. QUARTERLY DISTRIBUTIONS OF AVAILABLE CASH

The Partnership makes quarterly cash distributions of all of its Available Cash, generally defined as consolidated cash receipts less consolidated cash disbursements and cash reserves established by the General Partner in its sole discretion. Pursuant to the Partnership Agreement, the Company receives incremental incentive cash distributions on the portion that cash distributions on a per Unit basis exceed certain target thresholds as follows:

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
(UNAUDITED)

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

The following table reflects the allocation of total distributions paid for the three month periods ended March 31, 2001 and 2000 (in thousands, except per Unit amounts).

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
Limited Partner Units	$ 17,167	$ 13,775
1% General Partner Interest	194	158
General Partner Incentive	4,364	2,327
Total Partners' Capital Cash Distributions	21,725	16,260
Class B Units	2,056	1,860
Minority Interest	243	185
Total Cash Distributions Paid	$ 24,024	$ 18,305
Total Cash Distributions Paid Per Unit	$ 0.525	$ 0.475

On April 20, 2001, the Partnership declared a cash distribution of $0.525 per Limited Partner Unit and Class B Unit for the quarter ended March 31, 2001. The distribution was paid on May 4, 2001, to Unitholders of record on April 30, 2001.

NOTE 8. SEGMENT DATA

The Partnership operates in two segments: refined products and LPGs transportation, which operates through the Downstream Segment; and crude oil and NGLs transportation and marketing, which operates through the Upstream Segment.

The Downstream Segment is involved in the interstate transportation, storage and terminaling of petroleum products and LPGs, intrastate transportation of petrochemicals and the fractionation of NGLs. Revenues are derived from the transportation of refined products and LPGs, the storage and short-haul shuttle transportation of LPGs at the Mont Belvieu, Texas, complex, sale of product inventory and other ancillary services. The Downstream Segment is one of the largest pipeline common carriers of refined petroleum products and LPGs in the United States. The Partnership owns and operates a pipeline system extending from southeast Texas through the central and midwestern United States to the northeastern United States.

The Upstream Segment gathers, stores, transports and markets crude oil principally in Oklahoma, Texas and the Rocky Mountain region; operates two trunkline NGL pipelines in South Texas and three NGL pipelines in East Texas; and distributes lube oils and specialty chemicals to industrial and commercial accounts. On July 20, 2000, the Partnership completed its acquisition of assets from ARCO (see Note 3. Acquisitions). The acquisition was accounted for under the purchase method of accounting. The results of the acquisition have been included in the Upstream Segment since the purchase on July 20, 2000.

The table below includes interim financial information by business segment for the interim periods ended March 31, 2001 and 2000 (in thousands):

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31, 2001		
2001	DOWNSTREAM SEGMENT	UPSTREAM SEGMENT	CONSOLIDATED
Unaffiliated revenues	$ 64,105	$ 721,130	$ 785,235
Operating expenses, including power	27,566	711,456	739,022
Depreciation and amortization expense	7,177	2,730	9,907
Operating income	29,362	6,944	36,306
Interest expense, net	(8,335)	(7,614)	(15,949)
Equity earnings - Seaway Crude Pipeline Company	--	5,206	5,206
Other income, net	112	60	172
Net income	$ 21,139	$ 4,596	$ 25,735
Total assets	$ 740,588	$ 855,949	$ 1,596,537
Accounts receivable, trade	16,586	248,258	264,844
Accounts payable and accrued liabilities	$ 11,112	$ 253,221	$ 264,333

	THREE MONTHS ENDED MARCH 31, 2000		
2000	DOWNSTREAM SEGMENT	UPSTREAM SEGMENT	CONSOLIDATED
Unaffiliated revenues	$ 63,778	$ 686,914	$ 750,692
Operating expenses, including power	28,657	683,021	711,678
Depreciation and amortization expense........................	6,783	1,464	8,247
Operating income	28,338	2,429	30,767
Interest expense, net	(7,310)	(114)	(7,424)
Other income, net	393	145	538
Net income	$ 21,421	$ 2,460	$ 23,881
Total assets	$ 737,111	$ 359,639	$ 1,096,750
Accounts receivable, trade	15,949	227,324	243,273
Accounts payable and accrued liabilities	$ 7,188	$ 234,776	$ 241,964

NOTE 9. CONTINGENCIES

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

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
(UNAUDITED)

The Partnership is involved in various other claims and legal proceedings incidental to its business. In the opinion of management, these claims and legal proceedings will not have a material adverse effect on the Partnership's consolidated financial position, results of operations or cash flows.

The operations of the Partnership are subject to federal, state and local laws and regulations relating to protection of the environment. Although the Partnership believes its operations are in material compliance with applicable environmental regulations, risks of significant costs and liabilities are inherent in pipeline operations, and there can be no assurance that significant costs and liabilities will not be incurred. Moreover, it is possible that other developments, such as increasingly strict environmental laws and regulations and enforcement policies thereunder, and claims for damages to property or persons resulting from the operations of the pipeline system, could result in substantial costs and liabilities to the Partnership. The Partnership does not anticipate that changes in environmental laws and regulations will have a material adverse effect on its financial position, results of operations or cash flows in the near term.

The Partnership and the Indiana Department of Environmental Management ("IDEM") have entered into an Agreed Order that will ultimately result in a remediation program for any on-site and off-site groundwater contamination attributable to the Partnership's operations at the Seymour, Indiana, terminal. A Feasibility Study, which includes the Partnership's proposed remediation program, has been approved by IDEM. IDEM is expected to issue a Record of Decision formally approving the remediation program. After the Record of Decision has been issued, the Partnership will enter into an Agreed Order for the continued operation and maintenance of the program. The Partnership has accrued $0.5 million at March 31, 2001 for future costs of the remediation program for the Seymour terminal. In the opinion of the Company, the completion of the remediation program will not have a material adverse impact on the Partnership's financial condition, results of operations or liquidity.

The Partnership received a compliance order from the Louisiana Department of Environmental Quality ("DEQ") during 1994 relative to potential environmental contamination at the Partnership's Arcadia, Louisiana facility, which may be attributable to the operations of the Partnership and adjacent petroleum terminals of other companies. The Partnership and all adjacent terminals have been assigned to the Groundwater Division of DEQ, in which a consolidated plan will be developed. The Partnership has finalized a negotiated Compliance Order with DEQ that will allow the Partnership to continue with a remediation plan similar to the one previously agreed to by DEQ and implemented by the Company. In the opinion of the General Partner, the completion of the remediation program being proposed by the Partnership will not have a future material adverse impact on the Partnership.

On October 16, 2000 the Partnership received a settlement notice from ARCO for payment of a net aggregate amount of approximately $12.9 million in post-closing adjustments related to the purchase of the ARCO assets. A large portion of the requested adjustment relates to ARCO's indemnity for payment of accrued income taxes. The Partnership is disputing a substantial portion of the adjustments. The Partnership does not believe that payment of any amount ultimately determined would have a material adverse impact on the Partnership's financial condition and results of operations.

Substantially all of the petroleum products transported and stored by the Partnership are owned by the Partnership's customers. At March 31, 2001, the Partnership had approximately 14.5 million barrels of products in its custody owned by customers. The Partnership is obligated for the transportation, storage and delivery of such products on behalf of its customers. The Partnership maintains insurance adequate to cover product losses through circumstances beyond its control.

NOTE 10. COMPREHENSIVE INCOME

The table below reconciles reported net income to total comprehensive income for the three months ended March 31, 2001 (in thousands).

Net income	$ 25,735
Cumulative effect attributable to adoption of SFAS 133 (see Note 2. New Accounting Pronouncements)	(10,103)
Hedge accounting for derivative instruments	(2,261)
Total comprehensive income	$ 13,371

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

Balance at December 31, 2000	$ --
Cumulative effect of accounting change	(10,103)
Net losses on cash flow hedges	(3,076)
Reclassification adjustments	815
Balance at March 31, 2001	$ (12,364)

NOTE 11. SUBSEQUENT EVENTS

During the first quarter of 2001, Pennzoil-Quaker State Company ("Pennzoil") announced the sale of its Shreveport, Louisiana, refinery. As a result of the sale, it is anticipated that the refinery will stop refined products production. Effective April 1, 2001, Pennzoil and the Downstream Segment negotiated a settlement to terminate a long-term transportation agreement from the Shreveport origin point on the Downstream Segment's pipeline system. The terms of the settlement will result in income of approximately $18.9 million being recorded during the second quarter of 2001. The termination of the contract is expected to result in a loss of transportation revenue of approximately $7.7 million during 2001. The Partnership is evaluating various alternatives related to the reduced receipt volumes including making required system changes to allow for reversed product flow to make deliveries into the Shreveport market area. The Partnership has evaluated the impact of the contract termination on the related transportation assets in accordance with SFAS 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" and does not expect the contract termination to result in an impairment of the carrying value of the related transportation assets.

On April 6, 2001, the Partnership's $475 million revolving credit agreement was amended to permit borrowings up to $500 million and to allow for letters of credit up to $20 million. The term of the revised credit agreement was extended to April 6, 2004. Additionally, on April 6, 2001, the Partnership entered into a 364-day, $200 million revolving credit agreement. The interest rate on this agreement will be based on the Partnership's option of either the lender's base rate plus a spread, or LIBOR plus a spread.

On May 11, 1999, the Downstream Segment filed an application with the FERC requesting permission to charge market-based rates for substantially all refined products transportation tariffs. The Downstream Segment also filed a petition for waiver of the requirements that would otherwise have been imposed by the FERC's regulations requiring the Downstream Segment to reduce its rates in conformity with the PPI Index, pending the FERC's determination on its application for market-based rates. On June 30, 1999, the FERC granted the waiver stating that it was temporary in nature and that the Downstream Segment would be required to make refunds, with interest, of all amounts collected under rates in excess of the PPI Index ceiling level after July 1, 1999, if the Downstream Segment's application for market-based rates was ultimately denied.

As a result of the refund obligation potential, the Partnership has deferred all revenue recognition of rates charged in excess of the PPI Index. On March 31, 2001, the amount deferred for possible rate refund, including interest totaled approximately $2.6 million.

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
(UNAUDITED)

On July 31, 2000, the FERC issued an order granting the Downstream Segment market-based rates in certain markets and set for hearing the Downstream Segment's application for market-based rates in the Little Rock, Arkansas; Shreveport-Arcadia, Louisiana; Cincinnati-Dayton, Ohio; and Memphis, Tennessee, destination markets and the Shreveport, Louisiana, origin market. After the matter was set for hearing, the Downstream Segment and the protesting shippers entered into a settlement agreement resolving their respective differences. On January 9, 2001, the presiding Administrative Law Judge assigned to the hearing determined that the offer of settlement provided resolution of issues set for hearing in the Downstream Segment pending case in a fair and reasonable manner and in the public interest and certified the offer of settlement. On April 25, 2001, the FERC issued an order approving the offer of settlement.

As a result of the FERC approval of the settlement, the Downstream Segment will withdraw the application for market-based rates to the Little Rock, Arkansas, destination market and the Arcadia, Louisiana, destination in the Shreveport-Arcadia, Louisiana, destination market. The Downstream Segment also has agreed to recalculate rates to these destination markets to conform with the PPI Index from July 1, 1999, and make appropriate refunds. The refund obligation under the settlement as of March 31, 2001, was $1.0 million. As a result of the settlement, the Downstream Segment will recognize approximately $1.6 million of previously deferred transportation revenue in the second quarter of 2001.

NOTE 12. SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION

In connection with the Partnership's filing of a shelf registration statement on Form S-3 with the Securities and Exchange Commission, TE Products Pipeline Company, Limited Partnership and TCTM, L.P., the Partnership's sole first-tier operating subsidiaries (the "Guarantor Subsidiaries"), may issue unconditional guarantees of senior or subordinated debt securities of the Partnership in the event that the Partnership issues such securities from time to time under the registration statement. In July 2001, the Partnership restructured the ownership of the general partner interests in these first-tier operating subsidiaries to cause them to be wholly-owned by the Partnership. If issued, the guarantees will be full, unconditional and joint and several. For purposes of the following consolidating information, the Partnership and Guarantor Subsidiaries investments in their respective subsidiaries are accounted for by the equity method of accounting.

MARCH 31, 2001	TEPPCO PARTNERS, L.P.	GUARANTOR SUBSIDIARIES
	(IN THOUSANDS)	
Assets		
Current assets	$ 2,758	$ 38,313
Property, plant and equipment - net	--	642,168
Equity investments	477,466	256,945
Intercompany notes receivable	409,369	--
Other assets	4,802	17,072
Total assets	$ 894,395	$ 954,498
Liabilities and partners' capital		
Current liabilities	$ 8,695	$ 39,516
Long term debt	413,000	389,791
Intercompany notes payable	--	39,861
Other long term liabilities and minority interest	7,557	2,981
Redeemable Class B Units held by related party	105,547	--
Total partners' capital	359,596	482,349
Total liabilities and partners' capital	$ 894,395	$ 954,498

MARCH 31, 2001	NON-GUARANTOR SUBSIDIARIES	CONSOLIDATING ADJUSTMENTS
	(IN THOUSANDS)	
Assets		
Current assets	$ 284,168	$ (7,001)
Property, plant and equipment - net	327,749	--
Equity investments	229,957	(726,073)
Intercompany notes receivable	--	(409,369)
Other assets	49,016	(803)
Total assets	$ 890,890	$ (1,143,246)
Liabilities and partners' capital		
Current liabilities	$ 272,772	$ (7,801)
Long term debt	--	--
Intercompany notes payable	369,508	(409,369)
Other long term liabilities and minority interest	--	4,883
Redeemable Class B Units held by related party	--	--
Total partners' capital	248,610	(730,959)
Total liabilities and partners' capital	$ 890,890	$ (1,143,246)

MARCH 31, 2001	TEPPCO PARTNERS, L.P. CONSOLIDATED
	(IN THOUSANDS)
Assets	
Current assets	$ 318,238
Property, plant and equipment - net	969,917
Equity investments	238,295
Intercompany notes receivable	--
Other assets	70,087
Total assets	$ 1,596,537

Liabilities and partners' capital	
Current liabilities	$ 313,182
Long term debt	802,791
Intercompany notes payable	--
Other long term liabilities and minority interest	15,421
Redeemable Class B Units held by related party	105,547
Total partners' capital	359,596
Total liabilities and partners' capital	$ 1,596,537

DECEMBER 31, 2000	TEPPCO PARTNERS, L.P.	GUARANTOR SUBSIDIARIES
	(IN THOUSANDS)	
Assets		
Current assets	$ 6,083	$ 52,773
Property, plant and equipment - net	--	640,657
Equity investments	420,433	202,811
Intercompany notes receivable	441,836	--
Other assets	5,322	15,385
Total assets	$ 873,674	$ 911,626
Liabilities and Partners' Capital		
Current liabilities	$ 7,206	$ 45,085
Long term debt	446,000	389,784
Intercompany notes payable	--	48,037
Other long term liabilities and minority interest	--	3,991
Redeemable Class B Units held by related party	105,411	--
Total partners' capital	315,057	424,729
Total liabilities and partners' capital	$ 873,674	$ 911,626

DECEMBER 31, 2000	NON-GUARANTOR SUBSIDIARIES	CONSOLIDATING ADJUSTMENTS
	(IN THOUSANDS)	
Assets		
Current assets	$ 315,488	$ (10,947)
Property, plant and equipment - net	309,048	--
Equity investments	236,232	(617,828)
Intercompany notes receivable	--	(441,836)
Other assets	48,475	(1,122)
Total assets	$ 909,243	$ (1,071,733)
Liabilities and Partners' Capital		
Current liabilities	$ 318,049	$ (12,069)
Long term debt	--	--
Intercompany notes payable	393,799	(441,836)
Other long term liabilities and minority interest	--	4,296
Redeemable Class B Units held by related party	--	--
Total partners' capital	197,395	(622,124)
Total liabilities and partners' capital	$ 909,243	$ (1,071,733)

TEPPCO
PARTNERS, L.P.

DECEMBER 31, 2000	CONSOLIDATED
	(IN THOUSANDS)
Assets	
Current assets	$ 363,397
Property, plant and equipment - net	949,705
Equity investments	241,648
Intercompany notes receivable	--
Other assets	68,060
Total assets	$ 1,622,810
Liabilities and Partners' Capital	
Current liabilities	$ 358,271
Long term debt	835,784
Intercompany notes payable	--
Other long term liabilities and minority interest	8,287
Redeemable Class B Units held by related party	105,411
Total partners' capital	315,057
Total liabilities and partners' capital	$ 1,622,810

THREE MONTHS ENDED MARCH 31, 2001	TEPPCO PARTNERS, L.P.	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES
	(IN THOUSANDS)		
Operating revenues	$ --	$ 62,301	$ 722,934
Costs and expenses	--	34,020	714,909
Operating income	--	28,281	8,025
Interest expense - net ..	(9,372)	(7,624)	(8,325)
Equity earnings	25,735	5,048	5,206
Other income - net	9,372	292	142
Income before minority interest ...	25,735	25,997	5,048
Minority interest	--	--	--
Net income	$ 25,735	$ 25,997	$ 5,048

THREE MONTHS ENDED MARCH 31, 2001	CONSOLIDATING ADJUSTMENTS	TEPPCO PARTNERS, L.P. CONSOLIDATED
	(IN THOUSANDS)	
Operating revenues	$ --	$ 785,235
Costs and expenses	--	748,929
Operating income	--	36,306
Interest expense - net ..	9,372	(15,949)
Equity earnings	(30,783)	5,206
Other income - net	(9,372)	434
Income before minority interest ...	(30,783)	25,997
Minority interest	(262)	(262)
Net income	$ (31,045)	$ 25,735

THREE MONTHS ENDED MARCH 31, 2000	TEPPCO PARTNERS, L.P.	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES
	(IN THOUSANDS)		
Operating revenues	$ --	$ 61,955	$ 688,737
Costs and expenses	--	34,719	685,206
Operating income	--	27,236	3,531
Interest expense - net ..	--	(6,679)	(745)
Equity earnings	23,881	2,988	--
Other income - net	--	580	202
Income before minority interest ...	23,881	24,125	2,988
Minority interest	--	--	--
Net income	$ 23,881	$ 24,125	$ 2,988

THREE MONTHS ENDED MARCH 31, 2000	CONSOLIDATING ADJUSTMENTS	TEPPCO PARTNERS, L.P. CONSOLIDATED
	(IN THOUSANDS)	
Operating revenues	$ --	$ 750,692
Costs and expenses	--	719,925
Operating income	--	30,767
Interest expense - net ..	--	(7,424)
Equity earnings	(26,869)	--
Other income - net	--	782
Income before minority interest ...	(26,869)	24,125
Minority interest	(244)	(244)
Net income	$ (27,113)	$ 23,881

THREE MONTHS ENDED MARCH 31, 2001	TEPPCO PARTNERS, L.P.	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES
		(IN THOUSANDS)	
Cash flows from operating activities			
Net income	$ 25,735	$ 25,997	$ 5,048
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	--	6,673	3,234
Equity earnings, net of distributions ..	(1,953)	4,515	6,275
Changes in assets and liabilities and other	(1)	(4,019)	(16,093)
Net cash provided by operating activities	23,781	33,166	(1,536)
Cash flows from investing activities	(22,139)	(10,132)	(21,455)
Cash flows from financing activities	(1,642)	(32,200)	21,873
Net decrease in cash and cash equivalents	--	(9,166)	(1,118)
Cash and cash equivalents at beginning of period	--	9,166	17,930
Cash and cash equivalents at end of period ...	$ --	$ --	$ 16,812

THREE MONTHS ENDED MARCH 31, 2001	CONSOLIDATING ADJUSTMENTS	TEPPCO PARTNERS, L.P. CONSOLIDATED
	(IN THOUSANDS)	
Cash flows from operating activities		
Net income	$(31,045)	$ 25,735
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	--	9,907
Equity earnings, net of distributions ..	(2,537)	6,300
Changes in assets and liabilities and other	796	(19,317)
Net cash provided by operating activities	(32,786)	22,625
Cash flows from investing activities	22,139	(31,587)
Cash flows from financing activities	10,647	(1,322)
Net decrease in cash and cash equivalents	--	(10,284)
Cash and cash equivalents at beginning of period	--	27,096
Cash and cash equivalents at end of period ...	$ --	$ 16,812

THREE MONTHS ENDED MARCH 31, 2000	TEPPCO PARTNERS, L.P.	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES
			(IN THOUSANDS)

Cash flows from operating activities			
Net Income	$ 23,881	$ 24,125	$ 2,988
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	--	6,279	1,968
Equity earnings, net of distributions	(5,761)	4,112	--
Changes in assets and liabilities and other	--	(609)	(2,915)
Net cash provided by operating activities	18,120	33,907	2,041
Cash flows from investing activities	--	(14,788)	(3,225)
Cash flows from financing activities	(18,120)	1,695	(7,178)
Net increase (decrease) in cash and cash equivalents	--	20,814	(8,362)
Cash and cash equivalents at beginning of period	--	16,284	16,309
Cash and cash equivalents at end of period	$ --	$ 37,098	$ 7,947

THREE MONTHS ENDED MARCH 31, 2000	CONSOLIDATING ADJUSTMENTS	TEPPCO PARTNERS, L.P. CONSOLIDATED
	(IN THOUSANDS)	
Cash flows from operating activities		
Net Income	$(27,113)	$ 23,881
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	--	8,247
Equity earnings, net of distributions	1,571	(78)
Changes in assets and liabilities and other	244	(3,280)
Net cash provided by operating activities	(25,298)	28,770
Cash flows from investing activities	--	(18,013)
Cash flows from financing activities	25,298	1,695
Net increase (decrease) in cash and cash equivalents	--	12,452
Cash and cash equivalents at beginning of period	--	32,593
Cash and cash equivalents at end of period	$ --	$ 45,045

EXHIBIT 99.2

CONTRIBUTION, ASSIGNMENT AND AMENDMENT AGREEMENT

THIS CONTRIBUTION, ASSIGNMENT AND AMENDMENT AGREEMENT, dated as of July 26, 2001, is entered into by and among TEPPCO Partners, L.P., a Delaware limited partnership (the "MLP"); TE Products Pipeline Company, Limited Partnership, a Delaware limited partnership ("TE Products"); TCTM, L.P., a Delaware limited partnership ("TCTM"); Texas Eastern Product Pipeline Company, LLC, a Delaware limited liability company ("TEPPCO"); and TEPPCO GP, Inc., a Delaware corporation ("GP Inc."). TE Products and TCTM are sometimes referred to herein collectively as the "OLPs" and individually as an "OLP."

RECITALS

WHEREAS, each of the MLP and the OLPs were formed under the Delaware Revised Uniform Limited Partnership Act (the "Delaware Act") and TEPPCO acts as sole general partner of each of the MLP and the OLPs;

WHEREAS, TEPPCO owns a 1.00% general partner interest in the MLP and a 1.0101% general partner interest in each of the OLPs;

WHEREAS, the Board of Directors of TEPPCO has determined that it would be in the best interests of TEPPCO and the MLP to contribute TEPPCO's interests in each of the OLPs to the MLP and GP Inc., and to cause GP Inc. to become a wholly-owned corporate subsidiary of the MLP;

WHEREAS, in order to accomplish the objectives and purposes in the preceding recital, prior to the date hereof, TEPPCO has formed GP Inc. and contributed $1,000 in exchange for all of the capital stock in GP Inc.;

NOW, THEREFORE, in consideration of their mutual undertakings and agreements hereunder, the parties to this Agreement undertake and agree as follows:

ARTICLE I
DEFINITIONS

1.1 Definitions. In addition to the capitalized terms defined in the opening paragraph of this Agreement, the following capitalized terms shall have the meanings given below.

"Additional OLP Limited Partner Interests" has the meaning set forth in Section 2.2.

"Agreement" means this Contribution, Assignment and Amendment Agreement.

"Delaware Act" has the meaning assigned to such term in the Recitals to this Agreement.

"GP Inc. Common Stock" has the meaning set forth in Section 2.2.

"Laws" means any and all laws, statutes, ordinances, rules or regulations promulgated by a governmental authority, orders of a governmental authority, judicial decisions, decisions of arbitrators or determinations of any governmental authority or court.

"MLP Partnership Agreement" means the Second Amended and Restated Agreement of Limited Partnership of TEPPCO Partners, L.P. dated as of November 30, 1998, as the same may be amended or restated pursuant to the terms hereof.

"OLP Excess Liabilities" means any liability of GP Inc., whether as general partner of each OLP or pursuant to the assumption by GP Inc. of liabilities and obligations of each OLP pursuant to Section 4.1, for liabilities of each OLP existing at the time of the assignment of the Revised OLP General Partner Interests to GP Inc. pursuant to Section 2.1, but only to the extent that TEPPCO's share of such liabilities immediately prior to any assignment under Section 2.1 exceeds TEPPCO's federal income tax basis in its aggregate partnership interest in the OLP.

"Revised OLP General Partner Interests" has the meaning set forth in Section 2.1.

"TE Products Partnership Agreement" means the Amended and Restated Agreement of Limited Partnership of TE Products Pipeline Company, Limited Partnership dated as of July 21, 1998, as the same may be amended or restated pursuant to the terms hereof.

"TCTM Partnership Agreement" means the Agreement of Limited Partnership of TCTM, L.P. dated as of November 30, 1998, as the same may be amended or restated pursuant to the terms hereof.

ARTICLE II
CONTRIBUTIONS OF VARIOUS ASSETS AND PARTNERSHIP INTERESTS

2.1 Contribution by TEPPCO to GP Inc. TEPPCO hereby grants, contributes, transfers and conveys to GP Inc., its successors and assigns, all right, title and interest in and to a .001% general partner interest in each of the OLPs (the "Revised OLP General Partner Interests") and GP Inc. hereby accepts the Revised OLP General Partner Interests as a contribution to the capital of GP Inc.

TO HAVE AND TO HOLD the Revised OLP General Partner Interests unto GP Inc., its successors and assigns, together with all and singular the rights and appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

TE Products and TCTM each acknowledge receipt of the opinion of counsel required in Section 10.2(b) of the TE Products Partnership Agreement and the TCTM Partnership Agreement, respectively.

2.2 Contributions by TEPPCO to the MLP. Effective immediately following the contribution and assignment set forth in Section 2.1, TEPPCO hereby grants, contributes, transfers, assigns and conveys to the MLP, its successors and assigns, all right, title and interest of TEPPCO in and to (i) all the issued and outstanding capital stock of GP Inc., consisting of 100 shares of common stock, par value $.01 per share (the "GP Inc. Common Stock") and (ii) its remaining partnership interests in each of the OLPs, which interests, following the assignment of the Revised OLP General Partner Interests pursuant to Section 2.1 and the recharacterization of such remaining interests as limited partner interests as a result of the amendments adopted in Sections 5.1 and 5.2 hereof, consist of a 1.0091% limited partner interest in each of the OLPs (the "Additional OLP Limited Partner Interests"), and the MLP hereby accepts the GP Inc. Common Stock and the Additional OLP Limited Partner Interests, as a contribution to the capital of the MLP and in exchange for the increase in the general partner interest of TEPPCO in the MLP as set forth in Section 5.3 hereof.

TO HAVE AND TO HOLD the GP Inc. Common Stock and the Additional OLP Limited Partner Interests unto the MLP, its successors and assigns, together with all and singular the rights and appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

2.3 Further Assurances. From time to time after the date hereof, and without any further consideration, TEPPCO shall execute, acknowledge and deliver all such additional assignments, stock powers, instruments, notices, releases, acquittances and other documents, and will do all such other acts and things, all in accordance with applicable law, as may be necessary or appropriate (i) more fully and effectively to assure GP Inc., its successors and assigns, all of the properties, rights, titles, interests, estates, remedies, powers and privileges by this Agreement granted to GP Inc. with respect to the Revised OLP General Partner Interests or which are intended so to be and (ii) more fully and effectively to vest in the MLP, its successors and assigns, beneficial and record title to the GP Inc. Common Stock and the Additional OLP Limited Partner Interests hereby contributed and assigned to the MLP or intended so to be and to more fully and effectively carry out the purposes and intent of this Agreement.

ARTICLE III
SUCCESSION OF GENERAL PARTNER OF THE OLPS

3.1 Withdrawal of TEPPCO as General Partner of OLPs. Effective immediately prior to the contribution of the Revised OLP General Partner Interests pursuant to Section 2.1 and, pursuant to Section 12.1(a)(ii) of each of the TE Products Partnership Agreement and the TCTM Partnership Agreement, TEPPCO hereby withdraws as general partner of each of the OLPs and proposes GP Inc. to act and serve as sole general partner of each of the OLPs. TE Products and TCTM each acknowledge receipt of the opinion of counsel required in Section 12.1(b) of the TE Products Partnership Agreement and the TCTM Partnership Agreement, respectively.

3.2 GP Inc. as Successor General Partner of OLPs. Effective immediately prior to the later of (i) GP Inc.'s acceptance of the contributions to GP Inc. of the Revised OLP General Partner Interests pursuant to Section 2.1 and (ii) the withdrawal of TEPPCO as general partner of each of the OLPs, GP Inc. accepts and agrees to duly and timely pay, perform and discharge the rights, duties and obligations of general partner of each of the OLPs and all of the terms and conditions of each of the TE Products Partnership Agreement and the TCTM Partnership Agreement in accordance with Section 11.2 of each of the TE Products Partnership Agreement and the TCTM Partnership Agreement, and GP Inc. agrees to serve as general partner of each of the OLPs and to be bound by each of the TE Products Partnership Agreement and the TCTM Partnership Agreement (and, to the extent applicable, the MLP Partnership Agreement), as each is amended by this Agreement or as may be further amended by the terms of the respective partnership agreement, and GP Inc. is hereby admitted as the successor general partner of each of TE Products and TCTM.

ARTICLE IV
ASSUMPTION OF AND INDEMNIFICATION FOR CERTAIN LIABILITIES

4.1 Assumption of Certain Liabilities and Obligations of TEPPCO by GP Inc. In connection with the transfer of the Revised OLP General Partner Interests and the succession by GP Inc. as general partner of each of the OLPs, GP Inc. hereby assumes and agrees to duly and timely pay, perform and discharge all liabilities and obligations of each OLP to the full extent (and only to the extent) that TEPPCO, as general partner of such OLP, has been heretofore or would have been in the future, were it not for the execution and delivery of this Agreement, obligated to pay, perform and discharge such liabilities and obligations; provided, however, that such assumption by GP Inc. is subject to the indemnification provided in Section 4.2.

4.2 Indemnification of GP Inc. Upon the transfer of the Revised OLP General Partner Interests to GP Inc. pursuant to Section 2.1 hereof, TEPPCO hereby indemnifies, defends and holds harmless GP Inc. from and against any and all claims, demands, costs, liabilities and expenses (including court costs and reasonable attorneys' fees) arising from or relating to the OLP Excess Liabilities

4.3 Indemnification Relating to the MLP. Upon the transfer of the GP Inc. Common Stock and the Additional MLP Limited Partner Interest to the MLP pursuant to Section 2.2 hereof, (i) the MLP hereby indemnifies, defends and holds harmless GP Inc. from and against any and all claims, demands, costs, liabilities and expenses (including court costs and reasonable attorneys' fees) arising from or relating to the OLP Excess Liabilities and (ii) TEPPCO hereby indemnifies, defends and holds harmless the MLP from and against any and all claims, demands, costs, liabilities and expenses (including court costs and reasonable attorneys' fees) arising by reason of clause (i) of this paragraph.

ARTICLE V
AMENDMENTS TO PARTNERSHIP AGREEMENTS

5.1 Amendments to TE Products Partnership Agreement. In order to further the purposes of this Agreement, each of TEPPCO, as withdrawing general partner of TE Products, GP Inc., as successor general partner of TE Products, and the MLP, as limited partner of TE Products, hereby approve and adopt the following amendments to the TE Products Partnership Agreement in accordance with Article XIV thereof:

(a) Article II - Definitions is hereby amended by amending the definitions of the following terms to read in their entirety as follows:

"Investor Partnership Agreement" means the Agreement of Limited Partnership of the Investor Partnership, dated March 7, 1990, as such agreement has been amended or restated, or may in the future be amended or restated in accordance with its terms."

"Percentage Interest" means as of the date of such determination (a) as to the General Partner, .001% and (b) as to the Limited Partner, 99.999%.

(b) Section 10.2(b) is hereby amended to read in its entirety as follows:

"(b) Neither Section 10.2(a) nor any other provision of this Agreement shall be construed to prevent (and the Limited Partner does hereby expressly consent to) (i) the transfer by the General Partner of all or a portion of its Partnership Interest to one or more Affiliates, which transferred Partnership Interest, to the extent not transferred to a successor General Partner, shall constitute a Limited Partner's Partnership Interest or (ii) the transfer by the General Partner of all its Partnership Interest upon its merger, consolidation or other combination into any other Person or the transfer by it of all or substantially all of its assets to another Person if, in the case of a transfer described in either clause (i) or (ii) of this sentence, the rights and duties of the General Partner with respect to the Partnership Interest so transferred as a General Partner's Partnership Interest (or the rights and duties of a Limited Partner with respect to the Partnership Interest so transferred as a Limited Partner's Partnership Interest) are assumed by the transferee and the transferee agrees to be bound by the provisions of this Agreement and the Investor Partnership Agreement; provided, that in either such case, such transferee furnishes to the Partnership an Opinion of Counsel that such merger, consolidation, combination, transfer or assumption will not result in a loss of limited liability of the Limited Partner or cause the Partnership to be taxable as a corporation or otherwise taxed as an entity for federal income tax purposes. In the case of a transfer pursuant to this Section 10.2(b) to a Person proposed as a successor general partner of the Partnership, the transferee or successor (as the case may be) shall be admitted to the Partnership as the General Partner immediately prior to the transfer of the Partnership Interest, and the business of the Partnership shall continue without dissolution."

(c) Section 12.3 is hereby amended to read in its entirety as follows:

"12.3 Interest of Departing Partner and Successor General Partner. The Partnership Interest of a Departing Partner departing as a result of withdrawal or removal pursuant to Section 12.1 or 12.2 shall (unless it is otherwise required to be converted into Units pursuant to Section 13.2(b) of the Investor Partnership Agreement) be purchased by the successor to the Departing Partner for cash in amount equal to the fair market value of the Departing Partner's Partnership Interest, determined as of the effective date of its departure in the manner specified in the Investor Partnership Agreement. Such purchase (or conversion into Units, as applicable) shall be a condition to the admission to the Partnership of the successor as the General Partner. Notwithstanding the foregoing, an assignment of all or any portion of a General Partner's (or Departing Partner's) Partnership Interest to the Investor Limited Partnership as Limited Partner, or to any other Person (other than an individual) the ownership interest of which is then transferred to the Investor Limited Partnership, can be made in exchange for an increased interest in the Investor Limited Partnership and in lieu of a cash purchase."

(d) In addition to the foregoing amendments to the TE Products Partnership Agreement contained in this Section 5.1, the TE Products Partnership Agreement shall be deemed to be further amended and modified to the extent necessary, but only to the extent necessary, to carry out the purposes and intent of this Agreement.

5.2 Amendments to TCTM Partnership Agreement. In order to further the purposes of this Agreement, each of TEPPCO, as withdrawing general partner of TCTM, GP Inc., as successor general partner of TCTM, and the MLP, as limited partner of TCTM, hereby approve and adopt the following amendments to the TCTM Partnership Agreement in accordance with Article XIV thereof:

(a) Article II - Definitions is hereby amended by amending the definitions of the following terms to read in their entirety as follows:

"Investor Partnership Agreement" means the Agreement of Limited Partnership of the Investor Partnership, dated March 7, 1990, as such agreement has been amended or restated, or may in the future be amended or restated in accordance with its terms."

"Percentage Interest" means as of the date of such determination (a) as to the General Partner, .001% and (b) as to the Limited Partner, 99.999%.

(b) Section 10.2(b) is hereby amended to read in its entirety as follows:

"(b) Neither Section 10.2(a) nor any other provision of this Agreement shall be construed to prevent (and the Limited Partner does hereby expressly consent to) (i) the transfer by the General Partner of all or a portion of its Partnership Interest to one or more Affiliates, which Partnership Interest to the extent not transferred to a successor General Partner, shall be a Limited Partner's Partnership Interest or (ii) the transfer by the General Partner of all its Partnership Interest upon its merger, consolidation or other combination into any other Person or the transfer by it of all or substantially all of its assets to another Person if, in the case of a transfer described in either clause (i) or (ii) of this sentence, the rights and duties of the General Partner with respect to the Partnership Interest so transferred as a General Partner's Partnership Interest (or the rights and duties of a Limited Partner with respect to the Partnership Interest so transferred as a Limited Partner's Partnership Interest) are assumed by the transferee and the transferee agrees to be bound by the provisions of this Agreement and the Investor Partnership Agreement; provided, that in either such case, such transferee furnishes to the Partnership an Opinion of Counsel that such merger, consolidation, combination, transfer or assumption will not result in a loss of limited liability of the Limited Partner or cause the Partnership to be taxable as a corporation or otherwise taxed as an entity for federal income tax purposes. In the case of a transfer of a Partnership Interest pursuant to this Section 10.2(b) to a Person proposed as a successor general partner of the Partnership, the transferee or successor (as the case may be) shall be admitted to the Partnership as the General Partner immediately prior to the transfer of the Partnership Interest, and the business of the Partnership shall continue without dissolution."

(c) Section 12.3 is hereby amended to read in its entirety as follows:

"12.3 Interest of Departing Partner and Successor General Partner. The Partnership Interest of a Departing Partner departing as a result of withdrawal or removal pursuant to Section 12.1 or 12.2 shall (unless it is otherwise required to be converted into Units pursuant to Section 13.2(b) of the Investor Partnership Agreement) be purchased by the successor to the Departing Partner for cash in amount equal to the fair market value of the Departing Partner's Partnership Interest, determined as of the effective date of its departure in the manner specified in the Investor Partnership Agreement. Such purchase (or conversion into Units, as applicable) shall be a condition to the admission to the Partnership of the successor as the General Partner. Notwithstanding the foregoing, an assignment of all or any portion of a General Partner's (or Departing Partner's) Partnership Interest to the Investor Limited Partnership as Limited Partner, or to any other Person (other than an individual) the ownership interest of which is then transferred to the Investor Limited Partnership, can be made in exchange for an increased interest in the Investor Limited Partnership and in lieu of a cash purchase."

(d) In addition to the foregoing amendments to the TCTM Partnership Agreement contained in this Section 5.2, the TCTM Partnership Agreement shall be deemed to be further amended and modified to the extent necessary, but only to the extent necessary, to carry out the purposes and intent of this Agreement.

5.3 Amendments to MLP Partnership Agreement. In order to further the purposes of this Agreement and to evidence the increased interest of the general partner in the MLP issued in exchange for the contributions to the MLP made pursuant to Section 2.2 hereof, TEPPCO, as general partner of the MLP, having determined that the following amendments would not materially adversely affect the limited partners of the MLP or have a material adverse effect on the holders of any class of the MLP's outstanding limited partner units, hereby exercises its rights and powers to amend the MLP Partnership Agreement without the approval of any limited partner or assignee pursuant to Section 15.1(d)(i) of the MLP Partnership Agreement, and hereby approves and adopts the following amendments to the MLP Partnership Agreement in accordance with Article 15 thereof:

(a) Article 2 - Definitions is hereby amended by amending the definitions of the following terms to read in their entirety as follows:

> "Operating Partnerships" means TE Products Pipeline Company, Limited Partnership, a Delaware limited partnership, TCTM, L.P., a Delaware limited partnership, and such other Persons that are directly majority-owned by the Partnership and controlled by the Partnership (whether by direct or indirect ownership of the general partner of such Person or otherwise) and established or acquired for the purpose of conducting the business of the Partnership.
>
> "Operating Partnership Agreements" means the agreements of limited partnership of any Operating Partnership that is a limited partnership, or any limited liability company agreement of any Operating Partnership that is a limited liability company that is treated as a partnership for federal income tax purposes, as such may be amended, supplemented or restated from time to time.
>
> "Percentage Interest" means as of the date of such determination (a) as to the General Partner, 1.999999% and (b) as to any Limited Partner or Assignee holding LP Units, the product of (i) 98.000001% multiplied by (ii) the quotient of (x) the number of LP Units held by such Limited Partner or Assignee divided by (y) the total number of all LP Units then Outstanding; provided, however, that following any issuance of additional LP Units by the Partnership in accordance with Section 4.1 hereof, proper adjustment shall be made to the Percentage Interest represented by each LP Unit to reflect such issuance.

(b) References in the MLP Partnership Agreement to the defined terms "Operating Partnership" and "Operating Partnership Agreement" are hereby amended to refer to such terms in the plural.

(c) Section 4.1(d)(i) is hereby amended to read in its entirety as follows:

> "(d) Upon the issuance of any LP Units by the Partnership, the General Partner shall be required to make additional Capital Contributions to the Partnership such that the General Partner shall at all times have a balance in its Capital Account equal to 1.999999% of the total positive Capital Account balances of all Partners."

(d) Section 5.1(c)(i) is hereby amended to read in its entirety as follows:

"(i) If a Net Termination Gain is recognized (or deemed recognized pursuant to Section 4.3(d)) from Termination Capital Transactions, such Net Termination Gain shall be allocated between the General Partner and the Limited Partners in the following manner (and the Capital Accounts of the Partners shall be increased by the amount so allocated in each of the following subclauses, in the order listed, before an allocation is made pursuant to the next succeeding subclause):

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

(B) Second, 100% to the General Partner and to all Limited Partners, in accordance with their respective Percentage Interests, until the Capital Account in respect of each LP Unit then Outstanding is equal to the Unrecovered Capital attributable to such LP Unit;

(C) Third, 100% to the General Partner and to all Limited Partners, in accordance with their respective Percentage Interests, until the Per LP Unit Capital Account (determined on a per Unit basis) in respect of each Unit is equal to the sum of (l) the Unrecovered Capital attributable to each such Unit plus (2) any cumulative arrearages in the payment of the Minimum Quarterly Distribution in respect of such Unit for any quarter following December 31, 1994.

(D) Fourth, 85.002627% to all Limited Partners, in accordance with their respective Percentage Interests, and 14.997373% to the General Partner until the Per LP Unit Capital Account in respect of each Unit (determined on a per Unit basis) is equal to the sum of (l) the Unrecovered Capital attributable to such Unit, plus (2) any cumulative arrearages in the payment of the Minimum Quarterly Distribution in respect of such Unit for any quarter following December 31, 1994, plus (3) the excess of the First Target Distribution over the Minimum Quarterly Distribution for each quarter of the Partnership's existence, less (4) the amount of any distributions of Cash from Operations that were distributed pursuant to Section 5.4(b) (the sum of (2) plus (3) less (4) is hereinafter defined as the "First Liquidation Target Amount");

(E) Fifth, 75.004647% to all Limited Partners, in accordance with their respective Percentage Interests, and 24.995353% to the General Partner until the Per LP Unit Capital Account in respect of each Unit (determined on a per Unit basis) is equal to the sum of (l) the Unrecovered Capital attributable to such Unit, plus (2) the First Liquidation Target Amount, plus (3) the excess of the Second Target Distribution over the First Target Distribution for each quarter of the Partnership's existence less (4) the amount of any distributions of Cash from Operations distributed pursuant to Section 5.4(c) (the sum of (2) plus (3) less (4) is hereinafter defined as the "Second Liquidation Target Amount"); and

(F) Sixth, the balance, if any, 49.999798% to all Limited Partners, in accordance with their respective Percentage Interests, and 50.000202% to the General Partner."

(e) Sections 5.4 and 5.5 are hereby amended to read in its entirety as follows:

"5.4 Allocations of Distributions. Available Cash that is deemed to be Cash from Operations pursuant to the provisions of Section 5.3 or 5.5 shall be distributed as follows:

(a) First, 98.000001% to all Limited Partners, in accordance with their respective Percentage Interest, and 1.999999% to the General Partner until there has been distributed in respect of each LP Unit then Outstanding an amount equal to the Minimum Quarterly Distribution;

(b) Second, 85.002627% to all Limited Partners, in accordance with their respective Percentage Interest, and 14.997373% to the General Partner until there has been distributed in respect of each LP Unit then Outstanding an amount equal to the First Target Distribution;

(c) Third, 75.004647% to all Limited Partners, in accordance with their respective Percentage Interests, and 24.995353% to the General Partner until there has been distributed in respect of each LP Unit then Outstanding an amount equal to the Second Target Distribution; and

(d) Fourth, 49.999798% to all Limited Partners, in accordance with their respective Percentage Interest, and 50.000202% to the General Partner.

Provided, however, if the Minimum Quarterly Distribution, the First Target Distribution and the Second Target Distribution have been reduced to zero pursuant to Section 5.7(a)(ii), then distributions of Available Cash constituting Cash from Operations with respect to any quarter will be made 98.000001% to all Limited Partners in accordance with their respective Percentage Interest and 1.999999% to the General Partner until there has been distributed in respect of each LP Unit then Outstanding Cash from Operations since Partnership Inception equal to the Minimum Quarterly Distribution (as from time to time adjusted) for all periods since Partnership Inception, and thereafter in accordance with Section 5.4(d) above.

5.5 Distributions of Cash from Interim Capital Transactions. Available Cash that constitutes Cash from Interim Capital Transactions shall be distributed, unless the provisions of Section 5.3 require otherwise, 98.000001% to all Limited Partners, in accordance with their respective Percentage Interests, and 1.999999% to the General Partner until a hypothetical holder of a Unit acquired at the time of the Initial Offering has received with respect to each Unit, from Partnership Inception through such date, distributions of Available Cash that are deemed to be Cash from Interim Capital Transactions in an aggregate amount per LP Unit equal to the Initial Unit

Price. Thereafter, all Available Cash shall be distributed as if it were Cash from Operations and shall be distributed in accordance with Section 5.4."

(f) In addition to the foregoing amendments to the MLP Partnership Agreement contained in this Section 5.1, the MLP Partnership Agreement shall be deemed to be further amended and modified to the extent necessary, but only to the extent necessary, to carry out the purposes and intent of this Agreement.

5.4 Restatement of Partnership Agreements. Each of the partners of the MLP and the OLPs that is a party hereto agrees to execute and deliver a restated and amended version of each of the MLP Partnership Agreement, the TE Products Partnership Agreement and the TCTM Partnership Agreement to which it is a party incorporating the amendments to such agreement adopted by this Agreement together with such other amendments intended to clarify the agreement as the general partner of such limited partnership determines as are appropriate and not having a material adverse effect on the limited partners of the partnership, and in the case of the MLP, the holders of outstanding LP Units therein.

ARTICLE VI
MISCELLANEOUS

6.1 Other Assurances. From time to time after the date hereof, and without any further consideration, each of the parties to this Agreement shall execute, acknowledge and deliver all such additional instruments, notices and other documents, and will do all such other acts and things, all in accordance with applicable law, as may be necessary or appropriate to more fully and effectively carry out the purposes and intent of this Agreement.

6.2 Consents; Restriction on Assignment. If there are prohibitions against or conditions to the contribution and assignment of one or more portions of the assets contributed pursuant to Sections 2.1 and 2.2 without the prior written consent of third parties, including, without limitation, governmental agencies (other than consents of a ministerial nature that are normally granted in the ordinary course of business), which if not satisfied would result in a breach of such prohibitions or conditions or would give an outside party the right to terminate the MLP's or GP Inc.'s rights with respect to such portion of the contributed assets (herein called a "Restriction"), then any provision contained in this Agreement to the contrary notwithstanding, the transfer of title to or interest in each such portion of the contributed assets (herein called the "Restriction-Asset") pursuant to this Agreement shall not become effective unless and until such Restriction is satisfied, waived or no longer applies. When and if such a Restriction is so satisfied, waived or no longer applies, to the extent permitted by applicable law and any applicable contractual provisions, the assignment of the Restriction-Asset subject thereto shall become effective automatically as of the date of this Agreement, without further action on the part of the MLP, GP Inc., TEPPCO or either of OLPs and TEPPCO agrees to use its reasonable best efforts to obtain satisfaction of any Restriction on a timely basis. In the event that any Restriction-Asset exists, TEPPCO agrees to hold such Restriction-Asset in trust for the exclusive benefit of the assignee, the MLP or GP Inc., as the case may be, and to otherwise use its reasonable best efforts to provide the assignee with the benefits thereof, and TEPPCO will enter into other agreements, or take such other action as it may deem reasonably necessary, in order to help ensure that such assignee is entitled to the benefits of the contributed assets and concomitant rights in all material respects as of the date of this Agreement.

6.3 Costs. The MLP shall pay all sales, use and similar taxes arising out of the contributions, assignments and deliveries to be made hereunder, and shall pay all documentary, filing, recording, transfer, deed, and conveyance taxes and fees required in connection therewith. In addition, the MLP shall be responsible for all costs, liabilities and expenses (including court costs and reasonable attorneys' fees) incurred in connection with the satisfaction or waiver of any Restriction pursuant to Section 6.2.

6.4 Headings; References; Interpretation. All Article and Section headings in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any of the provisions hereof. The words "hereof," "herein" and "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole, including without limitation, all Exhibits attached hereto, and not to any particular provision of this Agreement. All references herein to Articles, Sections, and Exhibits shall, unless the context requires a different construction, be deemed to be references to the Articles, Sections and Exhibits of this Agreement, respectively, and all such Exhibits attached hereto are hereby incorporated herein and made a part hereof for all purposes. All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders, and the singular shall include the plural and vice versa. The use herein of the word "including" following any general statement, term or matter shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not non-limiting language (such as "without limitation," "but not limited to," or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that could reasonably fall within the broadest possible scope of such general statement, term or matter.

6.5 Successors and Assigns. The Agreement shall be binding upon and inure to the benefit of the parties signatory hereto and their respective successors and assigns.

6.6 No Third-Party Rights. The provisions of this Agreement are intended to bind the parties signatory hereto as to each other and are not intended to and do not create rights in any other person or confer upon any other person any benefits, rights or remedies and no person is or is intended to be a third-party beneficiary of any of the provisions of this Agreement.

6.7 Counterparts. This Agreement may be executed in any number of counterparts, all of which together shall constitute one agreement binding on the parties hereto.

6.8 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware applicable to contracts made and to be performed wholly within such state without giving effect to conflict of law principles thereof, except to the extent that it is mandatory that the law of some other jurisdiction, wherein the contributed assets are deemed located, shall apply.

6.9 Severability. If any of the provisions of this Agreement are held by any court of competent jurisdiction to contravene, or to be invalid under, the laws of any political body having jurisdiction over the subject matter hereof, such contravention or invalidity shall not invalidate the entire Agreement. Instead, this Agreement shall be construed as if it did not contain the particular provision or provisions held to be invalid, and an equitable adjustment shall be made and necessary provision added so as to give effect to the intention of the parties as expressed in this Agreement at the time of execution of this Agreement.

6.10 Assignment. To the extent required by applicable law, this Agreement shall also constitute an "assignment" of the assets transferred and contributed as set forth in Article II hereof.

6.11 Amendment or Modification. This Agreement may be amended or modified from time to time only by the written agreement of all the parties hereto.

6.12 Integration. This Agreement supersedes all previous understandings or agreements between the parties, whether oral or written, with respect to its subject matter. This document is an integrated agreement which contains the entire understanding of the parties. No understanding, representation, promise or agreement, whether oral or written, is intended to be or shall be included in or form part of this Agreement unless it is contained in a written amendment hereto executed by the parties hereto after the date of this Agreement.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto as of the date first above written.

TEPPCO PARTNERS, L.P., a Delaware limited partnership

By: Texas Eastern Products Pipeline Company, LLC, a Delaware limited liability company, as general partner

By: /s/ CHARLES H. LEONARD

Name: Charles H. Leonard
Title: Senior V.P., C.F.O. & Treasurer

TE PRODUCTS PIPELINE COMPANY, LIMITED PARTNERSHIP, a Delaware limited partnership

By: Texas Eastern Products Pipeline Company, LLC, a Delaware limited liability company, as general partner

By: /s/ CHARLES H. LEONARD

Name: Charles H. Leonard
Title: Senior V.P., C.F.O. & Treasurer

TCTM, L.P., a Delaware limited partnership

By: Texas Eastern Products Pipeline Company, LLC, a Delaware limited liability company, as general partner

By: /s/ CHARLES H. LEONARD

Name: Charles H. Leonard
Title: Senior V.P., C.F.O. & Treasurer

TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC, a
Delaware limited liability company

By: /s/ CHARLES H. LEONARD

Name: Charles H. Leonard
Title: Senior V.P., C.F.O. & Treasurer

TEPPCO GP, INC., a Delaware corporation

By: /s/ WILLIAM L. THACKER

Name: William L. Thacker
Title: Chief Executive Officer