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

FORM 10-Q

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

For the Quarterly Period Ended May 31, 2007

OR

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

For the Transition Period from _____ to _____

Commission file number 1-11727

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

Delaware	**73-1493906**
(state or other jurisdiction or incorporation or organization)	**(I.R.S. Employer Identification No.)**

2838 Woodside Street
Dallas, Texas 75204
(Address of principal executive offices and zip code)

(214) 981-0700
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

At July 9, 2007, the registrant had units outstanding as follows:

Energy Transfer Partners, L.P.	136,981,221 Common Units

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INDEX TO FINANCIAL STATEMENTS

Energy Transfer Partners, L.P. and Subsidiaries

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Forward-Looking Statements

Certain matters discussed in this report, excluding historical information, as well as some statements by Energy Transfer Partners, L.P. ("Energy Transfer Partners" or "the Partnership") in periodic press releases and some oral statements of Energy Transfer Partners officials during presentations about the Partnership, include certain "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Statements using words such as "anticipate," "believe," "intend," "project," "plan," "continue," "estimate," "forecast," "may," "will," or similar expressions help identify forward-looking statements. Although the Partnership believes such forward-looking statements are based on reasonable assumptions and current expectations and projections about future events, no assurance can be given that every objective will be reached.

Actual results may differ materially from any results projected, forecasted, estimated or expressed in forward-looking statements since many of the factors that determine these results are subject to uncertainties and risks, difficult to predict, and beyond management's control. For additional discussion of risks, uncertainties and assumptions, see the Partnership's Annual Report on Form 10-K for the fiscal year ended August 31, 2006 filed with the Securities and Exchange Commission on November 13, 2006.

Definitions

The following is a list of certain acronyms and terms generally used in the energy industry and throughout this document:

/d	per day
Bbls	barrels
Btu	British thermal unit, an energy measurement
Dekatherm	million British thermal units. A therm factor is used by gas companies to convert the volume of gas used to its heat equivalent, and thus calculate the actual energy used.
Mcf	thousand cubic feet
MMBtu	million British thermal unit
MMcf	million cubic feet
Bcf	billion cubic feet
NGL	natural gas liquid, such as propane, butane and natural gasoline
LIBOR	London Interbank Offered Rate
NYMEX	New York Mercantile Exchange
Reservoir	A porous and permeable underground formation containing a natural accumulation of producible natural gas and/or oil that is confined by impermeable rock or water barriers and is separate from other reservoirs.

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)
(unaudited)

	May 31, 2007	August 31, 2006
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 95,610	$ 26,041
Marketable securities	3,575	2,817
Accounts receivable, net of allowance for doubtful accounts	625,339	675,545
Inventories	297,876	387,140
Deposits paid to vendors	46,579	87,806
Exchanges receivable	40,545	23,221
Price risk management assets	25,944	56,139
Prepaid expenses and other	40,002	43,095
Total current assets	1,175,470	1,301,804
PROPERTY, PLANT AND EQUIPMENT, net	5,278,109	3,313,649
GOODWILL	716,443	604,409
INTANGIBLES AND OTHER LONG-TERM ASSETS, net	399,330	235,151
Total assets	$ 7,569,352	$ 5,455,013

The accompanying notes are an integral part of these condensed consolidated financial statements.

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)
(unaudited)

	May 31, 2007	August 31, 2006
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES:		
Accounts payable	$ 584,436	$ 603,140
Exchanges payable	48,188	24,722
Customer advances and deposits	40,554	108,836
Accrued and other current liabilities	261,697	202,296
Price risk management liabilities	1,866	36,918
Current maturities of long-term debt	39,768	40,578
Total current liabilities	976,509	1,016,490
LONG-TERM DEBT, less current maturities	3,426,608	2,589,124
DEFERRED INCOME TAXES	100,481	106,842
OTHER NON-CURRENT LIABILITIES	16,819	5,695
COMMITMENTS AND CONTINGENCIES		
	4,520,417	3,718,151
PARTNERS' CAPITAL:		
General Partner	125,290	82,450
Limited Partners:		
Common Unitholders (136,979,887 and 110,726,999 units authorized, issued and outstanding at May 31, 2007 and August 31, 2006, respectively)	2,928,185	1,647,345
Class E Unitholders (8,853,832 units authorized, issued and outstanding-held by subsidiary and reported as treasury units)	—	—
	3,053,475	1,729,795
Accumulated other comprehensive income (loss), per accompanying statements	(4,540)	7,067
Total partners' capital	3,048,935	1,736,862
Total liabilities and partners' capital	$7,569,352	$5,455,013

The accompanying notes are an integral part of these condensed consolidated financial statements.

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per unit data)

(unaudited)

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2007	2006	2007	2006
REVENUES:				
Midstream and transportation and storage	$ 1,406,598	$ 1,211,549	$ 3,961,880	$ 5,503,385
Propane and other	308,188	208,786	1,203,831	783,386
Total revenues	1,714,786	1,420,335	5,165,711	6,286,771
COSTS AND EXPENSES:				
Cost of products sold, midstream and transportation and storage	1,095,040	1,020,692	3,117,732	4,765,113
Cost of products sold, propane and other	192,347	126,675	742,814	481,712
Operating expenses	148,903	102,969	415,093	305,336
Depreciation and amortization	47,402	28,149	126,571	84,076
Selling, general and administrative	39,786	23,732	105,989	79,986
Total costs and expenses	1,523,478	1,302,217	4,508,199	5,716,223
OPERATING INCOME	191,308	118,118	657,512	570,548
OTHER INCOME (EXPENSE):				
Interest expense, net of interest capitalized	(46,149)	(13,674)	(128,383)	(70,609)
Equity in earnings (losses) of affiliates	839	(150)	5,212	(318)
Gain (loss) on disposal of assets	(2,500)	22	(3,785)	556
Interest and other income, net	17,751	9,672	20,845	12,933
INCOME BEFORE INCOME TAX EXPENSE AND MINORITY INTERESTS	161,249	113,988	551,401	513,110
Income tax expense	3,560	1,981	10,456	28,406
INCOME BEFORE MINORITY INTERESTS	157,689	112,007	540,945	484,704
Minority interests	(223)	(95)	(1,333)	(2,199)
NET INCOME	157,466	111,912	539,612	482,505
GENERAL PARTNER'S INTEREST IN NET INCOME	59,962	30,109	173,830	78,287
LIMITED PARTNERS' INTEREST IN NET INCOME	$ 97,504	$ 81,803	$ 365,782	$ 404,218
BASIC NET INCOME PER LIMITED PARTNER UNIT	$ 0.71	$ 0.67	$ 2.67	$ 2.79
BASIC AVERAGE NUMBER OF UNITS OUTSTANDING	136,978,390	110,658,305	131,147,779	108,466,616
DILUTED NET INCOME PER LIMITED PARTNER UNIT	$ 0.71	$ 0.67	$ 2.66	$ 2.78
DILUTED AVERAGE NUMBER OF UNITS OUTSTANDING	137,368,358	110,921,227	131,520,530	108,718,490

The accompanying notes are an integral part of these condensed consolidated financial statements.

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Dollars in thousands)

(unaudited)

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2007	2006	2007	2006
Net income	$157,466	$111,912	$ 539,612	$482,505
Other comprehensive income, net of tax:				
Reclassification adjustment for gains and losses on derivative instruments accounted for as cash flow hedges included in net income	(18,432)	(2,821)	(140,393)	(44,971)
Change in value of derivative instruments accounted for as cash flow hedges	(1,124)	25,126	128,034	189,769
Change in value of available-for-sale securities	(450)	929	752	1,052
Comprehensive income	$137,460	$135,146	$ 528,005	$628,355
Reconciliation of Accumulated Other Comprehensive Income (Loss)				
Balance, beginning of period	$ 15,466	$ 37,299	$ 7,067	$ (85,317)
Current period reclassification to earnings	(18,432)	(2,821)	(140,393)	(44,971)
Current period change in value	(1,574)	26,055	128,786	190,821
Balance, end of period	$ (4,540)	$ 60,533	$ (4,540)	$ 60,533
Components of Accumulated Other Comprehensive Income (Loss)				
Commodity related derivative hedges			$ (6,632)	$ 46,007
Interest rate derivative hedges			1,033	12,539
Available-for-sale securities			1,059	1,987
Balance, end of period			$ (4,540)	$ 60,533

The accompanying notes are an integral part of these condensed consolidated financial statements.

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL

For the Nine Months Ended May 31, 2007
(Dollars in thousands)
(unaudited)

	General Partner	Limited Partners	
		Common Unitholders	Class G Unitholders
Balance, August 31, 2006	$ 82,450	$1,647,345	$ —
Distributions to partners	(155,480)	(255,739)	(40,598)
Issuance of Class G Units to Energy Transfer Equity, LP	—	—	1,200,000
Conversion of Class G Units to Common	—	1,208,394	(1,208,394)
General Partner capital contribution	24,490	—	—
Unit-based compensation expense	—	11,395	—
Net income	173,830	316,790	48,992
Balance, May 31, 2007	$ 125,290	$2,928,185	$ —

The accompanying notes are an integral part of this condensed consolidated financial statement.

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(unaudited)

	Nine Months Ended May 31,	
	2007	2006
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	$ 869,273	$ 527,795
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for acquisitions, net of cash acquired	(87,487)	(35,949)
Working capital settlement on prior year acquisitions	—	19,653
Capital expenditures	(799,245)	(510,572)
Advances to and investment in affiliates	(986,794)	—
Proceeds from the sale of assets	20,789	4,551
Net cash used in investing activities	(1,852,737)	(522,317)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	3,269,757	1,585,057
Principal payments on debt	(2,979,809)	(1,486,700)
Net proceeds from issuance of limited partner units	1,200,000	132,383
Capital contribution from General Partner	24,490	2,702
Distributions to partners	(451,817)	(235,894)
Debt issuance costs	(9,588)	(1,295)
Net cash provided by (used in) financing activities	1,053,033	(3,747)
INCREASE IN CASH AND CASH EQUIVALENTS	69,569	1,731
CASH AND CASH EQUIVALENTS, beginning of period	26,041	24,914
CASH AND CASH EQUIVALENTS, end of period	$ 95,610	$ 26,645

The accompanying notes are an integral part of these condensed consolidated financial statements.

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands, except per unit data)
(unaudited)

1. OPERATIONS AND ORGANIZATION:

The accompanying condensed consolidated balance sheet as of August 31, 2006, which has been derived from audited financial statements, and the unaudited interim financial statements and notes thereto of Energy Transfer Partners, L.P., and subsidiaries (collectively, the "Partnership") as of May 31, 2007 and for the three-month and nine-month periods ended May 31, 2007 and 2006, have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim consolidated financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all the information and footnotes required by GAAP for complete consolidated financial statements. However, management believes that the disclosures made are adequate to make the information not misleading. The results of operations for interim periods are not necessarily indicative of the results to be expected for a full year due to the seasonal nature of the Partnership's operations, maintenance activities and the impact of forward natural gas prices and differentials on certain derivative financial instruments that are accounted for using mark-to-market accounting.

In the opinion of management, all adjustments (all of which are normal and recurring) have been made that are necessary to fairly state the consolidated financial position of Energy Transfer Partners, L.P. and subsidiaries as of May 31, 2007, and the Partnership's results of operations for the three-month and nine-month periods ended May 31, 2007 and 2006, respectively, and cash flows for the nine-month periods ended May 31, 2007 and 2006. The unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto of Energy Transfer Partners presented in the Partnership's Annual Report on Form 10-K for the fiscal year ended August 31, 2006, as filed with the Securities and Exchange Commission on November 13, 2006.

Certain prior period amounts have been reclassified to conform to the 2007 presentation. These reclassifications had no impact on net income or total partners' capital.

Business Operations

In order to simplify the obligations of Energy Transfer Partners, L.P. under the laws of several jurisdictions in which we conduct business, our activities are conducted through four subsidiary operating partnerships, La Grange Acquisition, L.P. which conducts business under the assumed name of Energy Transfer Company ("ETC OLP"), a Texas limited partnership engaged in midstream and intrastate transportation and storage natural gas operations, Energy Transfer Interstate Holdings, LLC ("ET Interstate"), the parent company of Transwestern Pipeline Company, LLC ("Transwestern") and ETC Midcontinent Express Pipeline, LLC ("ETC MEP"), both are Delaware limited liability companies engaged in interstate transportation of natural gas, Heritage Operating L.P. ("HOLP"), a Delaware limited partnership engaged in retail and wholesale propane operations, and Titan Energy Partners, LP ("Titan"), a Delaware limited partnership engaged in retail propane operations, (collectively the "Operating Partnerships"). The Partnership, the Operating Partnerships, and their other subsidiaries are collectively referred to in this report as "we", "us", "ETP", "Energy Transfer" or the "Partnership".

2. ESTIMATES AND SIGNIFICANT ACCOUNTING POLICIES:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The natural gas industry conducts its business by processing actual transactions at the end of the month following the month of delivery. Consequently, the most current month's financial results for the midstream and transportation and storage segments are estimated using volume estimates and market prices. Any difference between estimated results and actual results are recognized in the following month's financial statements. Management believes that the operating results estimated for the three and nine months ended May 31, 2007 and 2006 represent the actual results in all material respects.

Some of the other more significant estimates made by management include, but are not limited to, the timing of certain forecasted transactions that are hedged, allowances for doubtful accounts, the fair value of derivative instruments, useful lives for depreciation and amortization, purchase accounting allocations and subsequent realizability of intangible assets, deferred taxes, assets and liabilities resulting from the regulated ratemaking process (as discussed below), environmental reserves, and general business insurance reserves and medical self-insurance reserves. Actual results could differ from those estimates.

Significant Accounting Policies

As a result of the acquisition of Transwestern on December 1, 2006, we have the following significant accounting policies in addition to the significant accounting policies described in our Form 10-K for the year ended August 31, 2006:

Revenue Recognition - Transwestern is subject to Federal Energy Regulatory Commission ("FERC") regulations. As a result, FERC may require the refund of revenues collected during the pendency of a rate proceeding in a final order. Transwestern establishes reserves for these potential refunds, as appropriate. No such reserves were required at May 31, 2007.

Property, Plant and Equipment - An accrual of allowance for funds used during construction ("AFUDC") is a utility accounting practice calculated under guidelines prescribed by the FERC and capitalized as part of the cost of utility plant. It represents the cost of servicing the capital invested in construction work-in-progress. AFUDC has been segregated into two component parts – borrowed funds and equity funds. The allowance for borrowed and equity funds used during construction totaled $1,324 and $2,046 for the three and nine months ended May 31, 2007, respectively.

System Gas - Transwestern accounts for system balancing gas using the fixed asset accounting model established under FERC Order No. 581. Under this approach, system gas volumes are classified as fixed assets and valued at historical cost. Encroachments upon system gas are valued at current market prices. Transwestern may sell system gas in excess of its system operational requirements.

Depreciation and Amortization - The provision for depreciation and amortization is computed using the straight-line method based on estimated economic or FERC mandated lives. Transwestern's composite depreciation rates are applied to the FERC functional groups of gross property having similar economic characteristics. Transmission Plant is depreciated at 1.2 percent per year, and General Plant is depreciated at 10.0 percent per year. Intangible assets are amortized at rates ranging from 8.0 percent to 20.0 percent per year.

Employee Benefits - Transwestern has entered into a VEBA trust (the "VEBA Trust") agreement with Bank One Trust Company as a trustee. The VEBA Trust has established or adopted plans to provide certain post-retirement life, sick, accident and other benefits. The VEBA Trust is a voluntary employees' beneficiary association under Section 501(c)(9) of the Tax Code, which provides benefits to employees of Transwestern. Transwestern's plan is in an overfunded position as of May 31, 2007. As the plans are supported through rates charged to customers, under FASB Statement No. 71, *Accounting for Effects of Certain Types of Regulation* ("SFAS 71"), to the extent Transwestern has collected amounts in excess of what is required to fund the plan, Transwestern has an obligation to refund the excess amounts to customers through rates. As such, Transwestern has recorded the overfunded position of $881 within deferred assets and a corresponding regulatory liability of $881.

Transwestern accounts for its other post employment benefits ("OPEB") liability and expense on an actuarial basis, recording its health and life benefit costs over the active service period of employees to the date of full eligibility for the benefits.

Regulatory Assets and Liabilities - Transwestern is subject to regulation by certain state and federal authorities, is part of our interstate transportation segment and has accounting policies that conform to SFAS 71, which is in accordance with the accounting requirements and ratemaking practices of the regulatory authorities. The application of these accounting policies allows us to defer expenses and revenues on the balance sheet as regulatory assets and liabilities when it is probable that those expenses and revenues will be allowed in the ratemaking process in a period different from the period

in which they would have been reflected in the consolidated statement of operations by an unregulated company. These deferred assets and liabilities will be reported in results of operations in the period in which the same amounts are included in rates and recovered from or refunded to customers. Management's assessment of the probability of recovery or pass through of regulatory assets and liabilities will require judgment and interpretation of laws and regulatory commission orders. If, for any reason, we cease to meet the criteria for application of regulatory accounting treatment for all or part of our operations, the regulatory assets and liabilities related to those portions ceasing to meet such criteria would be eliminated from the condensed consolidated balance sheet for the period in which the discontinuance of regulatory accounting treatment occurs.

New Accounting Standards

FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – An Interpretation of FASB Statement No. 109*, ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109. FIN 48 also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The new FASB standard also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The evaluation of a tax position in accordance with FIN 48 is a two-step process. The first step is a recognition process whereby the enterprise determines whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, the enterprise should presume that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. The second step is a measurement process whereby a tax position that meets the more-likely-than-not recognition threshold is calculated to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006. Earlier application is permitted as long as the enterprise has not yet issued financial statements, including interim financial statements, in the period of adoption. The provisions of FIN 48 are to be applied to all tax positions upon initial adoption of this standard. Only tax positions that meet the more-likely-than-not recognition threshold at the effective date may be recognized or continue to be recognized upon adoption of FIN 48. The cumulative effect of applying the provisions of FIN 48 should be reported as an adjustment to the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) for that fiscal year. In February 2007 the SEC clarified that if a registrant changes how it classifies interest and penalties upon adoption of FIN 48, it should not reclassify amounts in prior periods. However, the registrant should disclose its prior classification policy. We are currently evaluating FIN 48 and have not yet determined the impact of such on our financial statements. We plan to adopt this statement on September 1, 2007.

FASB Staff Position No. EITF 00-19-2, *Accounting for Registration Payment Arrangements* ("FSP 00-19-2"). FSP 00-19-2, issued in December 2006, provides guidance related to the accounting for registration payment arrangements. FSP 00-19-2 specifies that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement, whether issued as a separate arrangement or included as a provision of a financial instrument or arrangement, should be separately recognized and measured in accordance with FASB No. 5, *Accounting for Contingencies* ("SFAS No. 5"). FSP 00-19-2 requires that if the transfer of consideration under a registration payment arrangement is probable and can be reasonably estimated at inception, the contingent liability under such arrangement shall be included in the allocation of proceeds from the related financing transaction using the measurement guidance in SFAS No. 5. FSP 00-19-2 applies immediately to any registration payment arrangement entered into subsequent to the issuance of the Staff Position. We have not executed any registration rights agreements subsequent to the issuance of this FASB Staff Position. For such arrangements issued prior to the issuance of FSP-00-19-2, the guidance is effective for financial statements issued for fiscal years beginning after December 15, 2006 and interim periods within those fiscal years. We are currently evaluating FSP 00-19-2 and have not yet determined the impact of such on our financial statements related to registration rights agreements issued prior to December 2006. We plan to adopt this Staff Position beginning September 1, 2007.

SFAS No. 157, *Fair Value Measurement*, ("SFAS 157"). This new standard provides guidance for using fair value to measure assets and liabilities. SFAS 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances.

The standard clarifies that for items that are not actively traded, such as certain kinds of derivatives, fair value should reflect the price in a transaction with a market participant, including an adjustment for risk. SFAS 157 also requires expanded disclosure of the effect on earnings for items measured using unobservable data. SFAS 157 establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data, for example, the reporting entity's own data. Under the standard, fair value measurements would be separately disclosed by level within the fair value hierarchy. The provisions of SFAS 157 are effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Earlier application is encouraged, provided that the reporting entity has not yet issued financial statements for that fiscal year, including any financial statements for an interim period within that fiscal year. We are currently evaluating this statement and have not yet determined the impact of such on our financial statements. We plan to adopt this statement when required at the start of our fiscal year beginning September 1, 2008.

SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115*, ("SFAS 159"). This new standard permits an entity to choose to measure many financial instruments and certain other items at fair value. Most of the provisions in SFAS 159 are elective; however, the amendment applies to all entities with available-for-sale and trading securities. A business entity will report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. The fair value option: (a) may be applied instrument by instrument, with a few exceptions, such as investments otherwise accounted for by the equity method; (b) is irrevocable (unless a new election date occurs); and (c) is applied only to entire instruments and not to portions of instruments. SFAS 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year provided that the entity makes the choice in the first 120 days of that fiscal year and also elects to apply the provisions of FASB Statement No. 157, *Fair Value Measurements* (discussed above). We are currently evaluating this statement and have not yet determined the impact of such on our financial statements. We plan to adopt this statement when required at the start of our fiscal year beginning September 1, 2008.

EITF Issue No. 06-3, *How Taxes Collected from Customers and Remitted to Governmental Authorities Should be Presented in the Income Statement (That Is, Gross Versus Net Presentation)* ("EITF 06-3"). This accounting guidance requires companies to disclose their policy regarding the presentation of tax receipts on the face of their income statements. The scope of this guidance includes any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer and may include, but is not limited to, sales, use, value added, and some excise taxes (gross receipts taxes are excluded). We adopted the provisions of EITF 06-3 during the quarter ended May 31, 2007, the impact of which is not material. We present the collection of taxes to be remitted to government authorities in our condensed consolidated statement of operations on a net basis.

SEC Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* ("SAB 108"). In September 2006, the Securities and Exchange Commission (SEC) provided guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment. SAB 108 establishes a dual approach that requires quantification of financial statement errors based on the effects of the error on each of the company's financial statements and the related financial statement disclosures. SAB 108 is effective for fiscal years ending after November 15, 2006. We expect to adopt SAB 108 by August 31, 2007. We are presently reviewing the impact of the adoption of SAB 108. We do not expect such adoption to have a material impact on our consolidated financial statements.

3. SIGNIFICANT ACQUISITIONS:

Fiscal year 2007 acquisitions

In September 2006 we acquired two small natural gas gathering systems in east and north Texas for an aggregate purchase price of $30,589 in cash. The purchase and sale agreement for the gathering system in north Texas also has a contingent payment not to exceed $25,000 to be determined eighteen months from the closing date. We will record the required adjustment to the purchase price allocation when the amount of actual contingent consideration is determinable beyond a reasonable doubt. These systems provide us with additional capacity in the Barnett Shale and in the Travis Peak area of east Texas and are included in our midstream operating segment. The cash paid for these acquisitions was financed primarily from advances under the ETP Revolving Credit Facility.

On November 1, 2006, pursuant to agreements entered into with GE Energy Financial Services ("GE") and Southern Union Company ("Southern Union"), we acquired the member interests in CCE Holdings, LLC ("CCEH") from GE and certain other investors for $1,000,000. We financed a portion of the CCEH purchase price with the proceeds from our issuance of 26,086,957 Class G Units to Energy Transfer Equity, L.P. simultaneous with the closing on November 1, 2006. The member interests acquired represented a 50% ownership in CCEH. On December 1, 2006, in a second and related transaction, CCEH redeemed ETP's 50% interest ownership in CCEH in exchange for 100% ownership of Transwestern which owns the Transwestern Pipeline, a 2,400 mile interstate natural gas pipeline. Following the final step, Transwestern became a new operating subsidiary and separate segment of ETP.

The total acquisition cost for Transwestern, net of cash acquired, was as follows:

Basis of investment in CCEH at November 30, 2006	$ 956,348
Distributions received on December 1, 2006	(6,217)
Fair value of short term debt assumed	13,000
Fair value of long-term debt assumed	519,377
Other assumed long-term indebtedness	10,096
Current liabilities assumed	35,781
Cash acquired	(3,386)
Acquisition costs incurred	11,423
Total	$1,536,422

During the nine months May 31, 2007, HOLP and Titan collectively acquired substantially all of the assets of five propane businesses. The aggregate purchase price for these acquisitions totaled $16,210 which included $15,008 of cash paid, net of cash acquired, and liabilities assumed of $1,202. The cash paid for acquisitions was financed primarily with ETP's and HOLP's Senior Revolving Credit Facilities.

In December 2006 we purchased a natural gas gathering system in north Texas for $32,000. The purchase and sale agreement for the gathering system in north Texas also has a contingent payment not to exceed $21,000 to be determined two years after the closing date. We will record the required adjustment to the purchase price allocation when the amount of the actual contingent consideration is determinable beyond a reasonable doubt. The gathering system consists of approximately 36 miles of pipeline and has an estimated capacity of 70 MMcf/d. We expect the gathering system will allow us to continue expanding in the Barnett Shale area of north Texas.

In January 2007 we purchased a natural gas gathering system in New Mexico for $8,000. The gathering system, which is included in our midstream segment, is approximately 27 miles long and is our first gathering system in New Mexico.

Except for the acquisition of the 50% member interests in CCEH, these acquisitions were accounted for under the purchase method of accounting in accordance with SFAS No. 141 and the purchase prices were allocated based on the estimated fair values of the assets acquired and liabilities assumed at the date of the acquisition. The acquisition of the 50% member interest in CCEH was accounted for under the equity method of accounting in accordance with APB Opinion No. 18, through November 30, 2006. The acquisition of 100% of Transwestern has been accounted for under the purchase method of accounting since the acquisition on December 1, 2006. Pro forma effects of the Transwestern acquisition are discussed below. In the aggregate, the other acquisitions described above are not material for pro forma disclosure purposes.

The following table presents the allocation of the acquisition cost to the assets acquired and liabilities assumed based on their fair values for the acquisitions described above occurring during the period ended May 31, 2007, net of cash acquired:

	Midstream and Intrastate Transportation and Storage Acquisitions (Aggregated)	Transwestern Acquisition	Propane Acquisitions (Aggregated)
Accounts receivable	$ —	$ 20,062	$ 600
Inventory	—	895	170
Prepaid and other current assets	—	11,842	57
Property, plant, and equipment	47,656	1,254,968	10,280
Intangibles and other assets	23,015	141,378	3,088
Goodwill	—	107,277	2,015
Total assets acquired	70,671	1,536,422	16,210
Accounts payable	—	(1,932)	—
Customer advances and deposits	—	—	(193)
Accrued and other current liabilities	—	(33,849)	(70)
Short-term debt (paid in December 2006)	—	(13,000)	—
Long-term debt	—	(519,377)	(939)
Other long-term obligations	—	(10,096)	—
Total liabilities assumed	—	(578,254)	(1,202)
Net assets acquired	$ 70,671	$ 958,168	$ 15,008

The purchase price for the acquisitions has been initially allocated based on the estimated fair value of the assets acquired and liabilities assumed. The Transwestern allocation was based on the preliminary results of independent appraisals. The purchase price allocations have not been completed and are subject to change. We expect to complete the allocations during the first quarter of fiscal year 2008.

Included in the additions for interstate property, plant and equipment is an aggregate plant acquisition adjustment of $446,154, which represents costs allocated to Transwestern's transmission plant. This amount has not been included in the determination of tariff rates Transwestern charges to its regulated customers. The unamortized balance of this adjustment was $439,781 at May 31, 2007 and is being amortized over 35 years, the composite weighted average estimated remaining life of Transwestern's assets as of the acquisition date.

Regulatory assets, included in intangible and other long-term assets on the condensed consolidated balance sheet, established in the Transwestern purchase price allocation consist of the following:

Accumulated reserve adjustment	$42,132
AFUDC gross-up	9,280
Environmental reserves	6,623
South Georgia deferred tax receivable	2,593
Other	9,329
Total Regulatory Assets acquired	$69,957

At May 31, 2007, all of Transwestern's regulatory assets are recoverable in rates.

We recorded the following intangible assets and goodwill in conjunction with the acquisitions described above:

	Midstream and Intrastate Transportation and Storage Acquisitions (Aggregated)	Transwestern Acquisition	Propane Acquisitions (Aggregated)
Intangible assets:			
Contract rights (6 to 15 years)	$ 23,015	$ 47,582	$ —
Financing costs (7 to 9 years)	—	13,410	—
Other	—	—	3,088
Total intangible assets	23,015	60,992	3,088
Goodwill	—	107,277	2,015
Total intangible assets and goodwill acquired	$ 23,015	$ 168,269	$ 5,103

Goodwill was warranted because these acquisitions enhance our current operations, and certain acquisitions are expected to reduce costs through synergies with existing operations. We expect all of the goodwill acquired to be tax deductible. We do not believe that the acquired intangible assets have any significant residual value at the end of their useful life.

On December 13, 2006, we entered into an agreement with Kinder Morgan Energy Partners, L.P. for a 50/50 joint development of the Midcontinent Express Pipeline (“MEP”). The approximately 500-mile interstate natural gas pipeline, which will originate near Bennington, Oklahoma, be routed through Perryville, Louisiana, and terminate at an interconnect with Transco in Butler, Alabama, will have an initial capacity of 1.4 Bcf per day. Pending necessary regulatory approvals, the approximately $1,250,000 pipeline project is expected to be in service by February 2009. MEP has prearranged binding commitments from multiple shippers for 800,000 dekatherms per day which includes a binding commitment from Chesapeake Energy Marketing, Inc., an affiliate of Chesapeake Energy Corporation, for 500,000 dekatherms per day. MEP has executed a firm capacity lease agreement for approximately 280,000 dekatherms per day of capacity on the Oklahoma intrastate pipeline system of Enogex, a subsidiary of OGE Energy, to provide transportation capacity from various locations in Oklahoma into and through MEP. The new pipeline will also interconnect with Natural Gas Pipeline Company of America, a wholly-owned subsidiary of Kinder Morgan, Inc., and with our Texoma pipeline near Paris, Texas. The MEP joint venture is accounted for using the equity method of accounting prescribed by APB Opinion No. 18.

Fiscal year 2006 acquisitions

On June 1, 2006, we acquired all the propane operations of Titan for cash of approximately $548,000, after working capital adjustments and net of cash acquired, and liabilities assumed of approximately $46,000. We accounted for the Titan acquisition as a business combination using the purchase method of accounting in accordance with the provisions of SFAS 141. The purchase price was initially allocated based on the estimated fair value of the individual assets acquired and the liabilities assumed at the date of the acquisition based on the results of an independent appraisal. We completed the Titan purchase allocation during our third quarter of fiscal year 2007 and the adjustments to the purchase price allocation during fiscal year 2007 were not material. The Titan operations have been included since the date of acquisition, thus the condensed consolidated results of operations for the three and nine months ended May 31, 2007 include the Titan results of operations for the entire period. However, the three and nine months ended May 31, 2006 do not include any of the Titan results of operations.

Pro Forma Results of Operations

The following unaudited pro forma consolidated results of operations for the nine months ended May 31, 2007 and the three and nine months ended May 31, 2006 are presented as if the Transwestern acquisition had been made on September 1, 2005. The operations of Transwestern have been included in our statements of operations since acquisition on December 1, 2006. Thus, pro forma information for the three months ended May 31, 2007 is not required.

	Nine Months Ended May 31, 2007	Three Months Ended May 31, 2006	Nine Months Ended May 31, 2006
Revenues	$ 5,224,603	$ 1,476,342	$ 6,458,126
Net income	$ 556,518	$ 121,101	$ 514,677
Limited Partners' interest in net income	$ 382,349	$ 86,568	$ 425,250
Basic earnings per Limited Partner Unit	$ 2.61	$ 0.64	$ 2.62
Diluted earnings per Limited Partner Unit	$ 2.61	$ 0.64	$ 2.61

The pro forma consolidated results of operations include adjustments to give effect to depreciation of the amounts allocated to depreciable and amortizable assets, interest expense on acquisition debt, and certain other adjustments. The pro forma information is not necessarily indicative of the results of operations that would have occurred had the transactions been made at the beginning of the periods presented or the future results of the combined operations.

4. CASH, CASH EQUIVALENTS AND SUPPLEMENTAL CASH FLOW INFORMATION:

Cash and cash equivalents include all cash on hand, demand deposits, and investments with original maturities of three months or less. We consider cash equivalents to include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

We place our cash deposits and temporary cash investments with high credit quality financial institutions. At times, such balances may be in excess of the Federal Deposit Insurance Corporation (“FDIC”) insurance limit.

Net cash flows provided by operating activities is comprised as follows:

	Nine Months Ended May 31,	
	2007	2006
Net income	$ 539,612	$ 482,505
Reconciliation of net income to net cash provided by operating activities:		
Depreciation and amortization	126,571	84,076
Amortization of finance costs charged to interest	2,785	2,069
Provision for loss on accounts receivable	1,751	1,073
Non-cash compensation on unit grants and other	11,395	5,375
Deferred income taxes	(2,811)	595
(Gain) loss on disposal of assets	3,785	(556)
Undistributed (earnings) losses of equity affiliates, net	(5,212)	318
Minority interests	1,333	(2,199)
Changes in operating assets and liabilities:		
Accounts receivable	68,651	350,414
Accounts receivable from related companies	(2,406)	2,266
Inventories	90,328	(153,172)
Deposits paid to vendors	41,227	(20,142)
Exchanges receivable	(11,060)	6,946
Prepaid expenses and other	16,893	(14,856)
Intangibles and other long-term assets	(4,675)	(10,720)
Regulatory assets	933	—
Accounts payable	32,111	(305,538)
Accounts payable to related companies	14,050	(1,121)
Customer advances and deposits	(69,265)	(105,856)
Exchanges payable	16,935	6,290
Accrued and other current liabilities	11,695	58,902
Other long-term liabilities	2,246	(5,549)
Income taxes payable	(1,039)	(882)
Price risk management liabilities, net	(16,560)	147,557
Net cash provided by operating activities	$ 869,273	$ 527,795

Supplemental cash flow information is as follows:

	Nine Months Ended May 31, 2007	Nine Months Ended May 31, 2006
NONCASH FINANCING ACTIVITIES:		
Issuance of Common Units in connection with certain acquisition	$ —	$ 4,000
Long-term debt assumed and non-compete agreement notes payable issued in acquisitions	$ 533,255	$ 2,361
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest, net of $16,164 and $6,135 capitalized for May 31, 2007 and 2006, respectively	$ 118,703	$ 65,928
Cash paid during the period for income taxes	$ 6,501	$ 28,133
Transfer of investment in affiliate in purchase of Transwestern (Note 3)	$ 956,348	$ —

5. ACCOUNTS RECEIVABLE:

Our intrastate midstream and transportation and storage operations deal with counterparties that are typically either investment grade or are otherwise secured with a letter of credit or other forms of security (corporate guaranty, prepayment, or master set off agreement). Management reviews midstream and transportation and storage accounts receivable balances bi-weekly. Credit limits are assigned and monitored for all counterparties of the midstream and transportation and storage operations. Management believes that the occurrence of bad debts in our intrastate midstream and transportation and storage segments was not significant for the three or nine months ended May 31, 2007; therefore, an allowance for doubtful accounts for the midstream and transportation and storage segments was not deemed necessary. Bad debt expense related to these receivables is recognized at the time an account is deemed uncollectible. There was no bad debt expense recognized for the three or nine months ended May 31, 2007 and 2006 in the midstream and intrastate transportation and storage segments.

Transwestern has a concentration of customers in the electric and gas utility industries. This concentration of customers may impact Transwestern's overall exposure to credit risk, either positively or negatively, in that the customers may be similarly affected by changes in economic or other conditions. From time to time, specifically identified customers having perceived credit risk are required to provide prepayments or other forms of collateral to Transwestern. Transwestern sought additional assurances from customers due to credit concerns, and held aggregate prepayments of $598 at May 31, 2007, which are recorded in customer advances and deposits in the condensed consolidated balance sheets. Transwestern's management believes that the portfolio of receivables, which includes regulated electric utilities, regulated local distribution companies and municipalities, is subject to minimal credit risk. Transwestern establishes an allowance for doubtful accounts on trade receivables based on the expected ultimate recovery of these receivables. Transwestern considers many factors including historical customer collection experience, general and specific economic trends and known specific issues related to individual customers, sectors and transactions that might impact collectibility. There was no bad debt expense recognized for the three months and nine months ended May 31, 2007 related to Transwestern.

HOLP and Titan grant credit to their customers for the purchase of propane and propane-related products. Included in accounts receivable are trade accounts receivable arising from HOLP's retail and wholesale propane and Titan's retail propane operations and receivables arising from liquids marketing activities. Accounts receivable for retail and wholesale propane operations are recorded as amounts billed to customers less an allowance for doubtful accounts. The allowance for doubtful accounts for the retail and wholesale propane segments is based on management's assessment of the realizability of customer accounts, based on the overall creditworthiness of our customers, and any specific disputes.

We enter into netting arrangements with counterparties of derivative contracts to mitigate credit risk. Transactions are confirmed with the counterparty and the net amount is settled when due. Amounts outstanding under these netting arrangements are presented on a net basis in the condensed consolidated balance sheets.

Accounts receivable consisted of the following:

	May 31, 2007	August 31, 2006
Accounts receivable - midstream and transportation and storage	$521,084	$570,569
Accounts receivable - propane	108,384	108,976
Less – allowance for doubtful accounts	(4,129)	(4,000)
Total, net	$625,339	$675,545

The activity in the allowance for doubtful accounts for the retail and wholesale propane segments consisted of the following for the nine months ended May 31, 2007:

	May 31, 2007
Balance, beginning of period	$ 4,000
Provision for loss on accounts receivable	1,751
Accounts receivable written off, net of recoveries	(1,622)
Balance, end of period	$ 4,129

6. INVENTORIES:

Inventories consist principally of natural gas held in storage which is valued at the lower of cost or market utilizing the weighted-average cost method. Propane inventories are also valued at the lower of cost or market utilizing the weighted-average cost of propane delivered to the customer service locations, including storage fees and inbound freight costs. The cost of appliances, parts and fittings is determined by the first-in, first-out method.

Inventories consisted of the following:

	May 31, 2007	August 31, 2006
Natural gas, propane and other NGLs	$281,298	$371,430
Appliances, parts and fittings and other	16,578	15,710
Total inventories	$297,876	$387,140

7. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated economic or FERC mandated lives of the assets. Expenditures for maintenance and repairs that do not add capacity or extend the useful life are expensed as incurred. Expenditures to refurbish assets that either extend the useful lives of the asset or prevent environmental contamination are capitalized and depreciated over the remaining useful life of the asset. Additionally, we capitalize certain costs directly related to the installation of company-owned propane tanks and construction of assets including internal labor costs, interest and engineering costs. Upon disposition or retirement of pipeline components or natural gas plant components, any gain or loss is recorded to accumulated depreciation. When entire pipeline systems, gas plants or other property and equipment are retired or sold, any gain or loss is included in our results of operations.

We review long-lived assets for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If such a review should indicate that the carrying amount of long-lived assets is not recoverable, we reduce the carrying amount of such assets to fair value. No impairment of long-lived assets was required during the periods presented.

Components and useful lives of property, plant and equipment were as follows:

	May 31, 2007	August 31, 2006
Land and improvements	$ 61,417	$ 63,220
Buildings and improvements (10 to 30 years)	105,927	66,739
Pipelines and equipment (10 to 65 years)	3,090,494	1,757,103
Natural gas storage (40 years)	91,282	91,177
Bulk storage, equipment and facilities (3 to 30 years)	462,210	108,834
Tanks and other equipment (5 to 30 years)	507,470	472,944
Vehicles (5 to 10 years)	151,443	120,710
Right-of-way (20 to 65 years)	206,675	104,650
Furniture and fixtures (3 to 10 years)	21,691	16,283
Linepack	39,189	24,821
Pad Gas	55,482	57,327
Other (5 to 10 years)	83,772	27,395
	4,877,052	2,911,203
Less – Accumulated depreciation	(356,955)	(242,137)
	4,520,097	2,669,066
Plus – Construction work-in-process	758,012	644,583
Property, plant and equipment, net	$5,278,109	$3,313,649

Capitalized interest is included for pipeline construction projects. Interest is capitalized based on the borrowing rate of our revolving credit facility when the related costs are incurred. A total of $16,164 of interest was capitalized for pipeline construction projects during the nine months ended May 31, 2007 (excluding AFUDC, see Note 2).

Depreciation expense for the periods is as follows:

Three Months Ended May 31,		Nine Months Ended May 31,	
2007	2006	2007	2006
$43,095	$25,784	$115,239	$76,989

8. GOODWILL:

Goodwill is associated with acquisitions made for our midstream, intrastate transportation and storage, interstate transportation and retail propane segments. Goodwill is tested for impairment annually at August 31, in accordance with Statement of Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, ("SFAS 142"). The changes in the carrying amount of goodwill for the nine month period ended May 31, 2007 were as follows:

	Midstream	Intrastate Transportation and Storage	Interstate Transportation	Retail Propane	Total
Balance, beginning of period	$ 13,409	$ 10,327	$ —	$580,673	$604,409
Purchase accounting adjustments	—	—	—	4,484	4,484
Goodwill acquired	—	—	107,277	2,015	109,292
Sale of operations	—	—	—	(1,742)	(1,742)
Balance, end of period	$ 13,409	$ 10,327	$ 107,277	$585,430	$716,443

The purchase price allocations for the Transwestern and other fiscal 2007 acquisitions (see Note 3) are preliminary. The final assessment of value and allocations for the fiscal 2007 acquisitions are expected to be completed by the first quarter of fiscal year 2008, and amounts allocated to goodwill may change.

9. INTANGIBLES AND OTHER ASSETS:

Intangibles and other long-term assets are stated at cost net of amortization computed on the straight-line method. We eliminate from our balance sheet the gross carrying amount and the related accumulated amortization for any fully amortized intangibles in the year they are fully amortized. Components and useful lives of intangibles and other long-term assets were as follows:

	May 31, 2007		August 31, 2006	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortizable intangible assets:				
Noncompete agreements (5 to 15 years)	$ 32,191	$ (16,454)	$ 31,593	$ (13,012)
Customer lists (3 to 15 years)	129,872	(19,355)	87,480	(11,640)
Contract rights (6 to 15 years)	23,015	(744)	—	—
Financing costs (3 to 15 years)	40,438	(7,604)	20,128	(4,441)
Consulting agreements (2 to 7 years)	—	—	132	(122)
Other (10 years)	2,610	(940)	2,677	(422)
Total amortizable intangible assets	228,126	(45,097)	142,010	(29,637)
Non-amortizable assets - Trademarks	65,921	—	64,842	—
Total intangible assets	294,047	(45,097)	206,852	(29,637)
Other long-term assets:				
Regulatory assets	69,957	—	—	—
Investment in and advances to affiliates	49,395	—	41,344	—
Long-term price risk management assets	444	—	2,192	—
Other	30,584	—	14,400	—
Total intangibles and other long-term assets	$444,427	$ (45,097)	$264,788	$ (29,637)

The Partnership previously owned a 50% ownership interest in MidTexas Pipeline Company (“MidTexas”), a Texas general partnership, which owns approximately 139 miles of transportation pipeline that connects various receipt points in south Texas to delivery points at the Katy hub. Effective February 28, 2007 MidTexas was dissolved and each partner was assigned its 50% undivided interest in the pipeline (a non-cash transaction). As a result of the dissolution and now owning an undivided interest, we control the marketing and bear the risk of ownership. As a result, we ceased the use of equity accounting at February 28, 2007 and began applying proportionate consolidation prospectively for our interest in the MidTexas pipeline.

Intangibles and other assets include our 50% interest in Midcontinent Express Pipeline (“MEP”), a joint venture with Kinder Morgan Energy Partners, L.P. ($28,571 at May 31, 2007). As of May 31, 2007 the activity in MEP was not material to our consolidated results of operations.

Aggregate amortization expense of intangible assets is as follows:

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2007	2006	2007	2006
Reported in depreciation and amortization	$ 4,307	$ 2,365	$11,332	$7,087
Reported in interest expense	$ 1,232	$ 700	$ 3,238	$2,069

The estimated aggregate amortization expense for the next five fiscal years is $10,679 for the remainder of fiscal 2007; $24,237 for 2008; $23,171 for 2009; $21,176 for 2010, and $18,447 for 2011.

We review amortizable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable in accordance with Statement of Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (“SFAS 144”). If such a review should indicate that the carrying amount of amortizable intangible assets is not recoverable, we reduce

the carrying amount of such assets to fair value. We review non-amortizable intangible assets for impairment annually at August 31, or more frequently if circumstances dictate, in accordance with SFAS 144. No impairment of intangible assets was required for the three and nine month periods ended May 31, 2007 and 2006.

10. ACCRUED AND OTHER CURRENT LIABILITIES:

Accrued and other current liabilities consist of the following:

	May 31, 2007	August 31, 2006
Capital expenditures	$ 45,378	$ 38,002
Employee wages and benefits	48,990	40,236
Operating expenses	14,245	16,839
Interest payable	41,328	13,956
Other accrued expenses	111,756	93,263
Total accrued and other current liabilities	$261,697	$202,296

11. INCOME TAXES:

As a limited partnership, we are generally not subject to income tax. We are, however, subject to a statutory requirement that our non-qualifying income (including income such as derivative gains from trading activities, service income, tank rentals and others) cannot exceed 10% of our total gross income, determined on a calendar year basis under the applicable income tax provisions. If the amount of our non-qualifying income exceeds this statutory limit, we would be taxed as a corporation. Accordingly, certain activities that generate non-qualified income are conducted through taxable corporate subsidiaries (“C corporations”). These C corporations are subject to federal and state income tax and pay the income taxes related to the results of their operations. For the three and nine month periods ended May 31, 2007 and 2006, our non-qualifying income did not, or was not expected to, exceed the statutory limit.

Those subsidiaries which are taxable corporations follow the asset and liability method of accounting for income taxes in accordance with Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes* (“SFAS 109”). Under SFAS 109, deferred income taxes are recorded based upon differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the underlying assets are received and liabilities settled.

A consolidated subsidiary acquired in the Titan acquisition has net operating loss carry forwards of approximately $13,000, which carry forwards expire at varying times through December 31, 2026. We established a deferred tax asset of approximately $4,000 in the Titan purchase price allocation for loss carry forwards as of the date of acquisition.

On May 18, 2006, the State of Texas enacted House Bill 3 which replaced the existing state franchise tax with a “margin tax”. In general, legal entities that conduct business in Texas are subject to the Texas margin tax, including previously non-taxable entities such as limited partnerships and limited liability partnerships. The tax is assessed on Texas sourced taxable margin which is defined as the lesser of (i) 70% of total revenue or (ii) total revenue less (a) cost of goods sold or (b) compensation and benefits. Although the bill states that the margin tax is not an income tax, it has the characteristics of an income tax since it is determined by applying a tax rate to a base that considers both revenues and expenses. Therefore, we have accounted for Texas margin tax as income tax expense in the period subsequent to the law’s effective date of January 1, 2007. For the three and nine months ended May 31, 2007, we recognized current state income tax expense related to the Texas margin tax of $2,840 and $4,694, respectively. There was no comparable state tax expense for the periods ended May 31, 2006.

The components of our federal and state income tax provision are summarized as follows:

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2007	2006	2007	2006
Current provision (benefit):				
Federal	$ 492	$(2,111)	$ 6,979	$26,006
State	3,462	479	6,288	1,767
	3,954	(1,632)	13,267	27,773
Deferred provision (benefit):				
Federal	(394)	3,603	(2,572)	978
State	—	10	(239)	(345)
	(394)	3,613	(2,811)	633
Total	$3,560	$ 1,981	$10,456	$28,406

The difference between the statutory rate and the effective rate is summarized as follows:

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2007	2006	2007	2006
Federal statutory tax rate	35.0%	35.0%	35.0%	35.0%
State income tax rate net of federal benefit	2.1%	2.9%	1.1%	3.1%
Earnings not subject to tax at the Partnership level	(34.9%)	(36.2%)	(34.2%)	(32.6%)
Effective tax rate	2.2%	1.7%	1.9%	5.5%

12. INCOME PER LIMITED PARTNER UNIT:

Our net income for partners' capital and income statement presentation purposes is allocated to the General Partner and Limited Partners in accordance with their respective partnership percentages, after giving effect to priority income allocations for incentive distributions, if any, to our General Partner, the holder of the Incentive Distribution Rights pursuant to the Partnership Agreement, which are declared and paid following the close of each quarter. Basic net income per limited partner unit, however, is computed in accordance with EITF Issue No. 03-6, *Participating Securities and the Two-Class Method Under FASB Statement No. 128* ("EITF 03-6"), by dividing limited partners' interest in net income by the weighted average number of limited partner units outstanding (excluding treasury units). In periods when our aggregate net income exceeds the aggregate distributions, EITF 03-6 requires us to present earnings per unit as if all of the earnings for the periods were distributed (see table below) and requires a separate computation for each quarter and year-to-date. For such periods, an increased amount of net income is allocated to the General Partner for the additional pro forma priority income attributable to the application of EITF 03-6. The General Partner is entitled to receive incentive distributions if the amount we distribute to our limited partners with respect to any quarter exceeds levels specified in the Partnership Agreement. Diluted net income per limited partner unit is computed by dividing net income available to limited partners, after considering the General Partner's interest, by the weighted average number of limited partner units outstanding and of the effect of non-vested restricted units ("Unit Grants") granted under the Amended and Restated 2004 Unit Plan and predecessor plan computed using the treasury stock method.

A reconciliation of net income and weighted average units used in computing basic and diluted earnings per unit is as follows:

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2007	2006	2007	2006
Net income	$ 157,466	$ 111,912	$ 539,612	$ 482,505
Adjustments:				
General Partner's equity ownership	(3,149)	(2,094)	(10,792)	(9,506)
General Partner's incentive distributions	(56,813)	(28,015)	(163,038)	(68,781)
Limited Partner's interest in net income for statement of operations reporting	97,504	81,803	365,782	404,218
Less earnings allocated to Class C Units as a result of the SCANA settlement	—	(3,599)	—	(3,599)
Additional earnings allocation to General Partner	—	(3,894)	(16,068)	(98,100)
Net income available to limited partners for income per unit computations	$ 97,504	$ 74,310	$ 349,714	$ 302,519
Weighted average limited partner units – basic	136,978,390	110,658,305	131,147,779	108,466,616
Basic net income per limited partner unit	$ 0.71	$ 0.67	$ 2.67	$ 2.79
Weighted average limited partner units	136,978,390	110,658,305	131,147,779	108,466,616
Dilutive effect of Unit Grants	389,968	262,922	372,751	251,874
Weighted average limited partner units, assuming dilutive effect of Unit Grants	137,368,358	110,921,227	131,520,530	108,718,490
Diluted net income per limited partner unit	$ 0.71	$ 0.67	$ 2.66	$ 2.78

13. DEBT OBLIGATIONS:

On October 23, 2006, ETP issued a total of $800,000 aggregate principal amount of Senior Notes comprised of $400,000 of 6.125% Senior Notes due 2017 (the "2017 Notes") and $400,000 of 6.625% Senior Notes due 2036 (the "2036 Notes" and together with the 2017 Notes, the "Notes"). The Partnership used the proceeds of approximately $791,000 (net of bond discounts of $2,612 and financing costs of $6,050) from the issuance of the Notes to repay borrowings and accrued interest outstanding under the ETP Revolving Credit Facility, to pay expenses associated with the offering and for general partnership purposes. Interest on the notes is due semiannually. The Partnership may redeem some or all of the Notes at any time, or from time to time, pursuant to the terms of the indenture. All of the Partnership's obligations under the Notes are fully and unconditionally guaranteed by ETC OLP and Titan and substantially all of their present and future wholly-owned subsidiaries. These notes have been registered under the Securities Act pursuant to our S-3 Registration Statement which provides for the sale of a combination of units and debt totaling $1,500,000.

We have a $1,500,000 Amended and Restated Revolving Credit Facility (the "ETP Revolving Credit Facility") available through June 29, 2011. Amounts borrowed under the ETP Revolving Credit Facility bear interest at a rate based on either a Eurodollar rate or a prime rate. There is also a Swingline loan option with a maximum borrowing of $75,000 at a daily rate based on LIBOR. The commitment fee payable on the unused portion of the facility varies based on our credit rating with a maximum fee of 0.175%. As of May 31, 2007, there was a balance of $735,112 in revolving credit loans (including $68,112 in Swingline loans) and $57,256 in letters of credit. The weighted average interest rate on the total amount outstanding at May 31, 2007, was 5.994%. The total amount available under the ETP Revolving Credit Facility as of May 31, 2007, which is reduced by any amounts outstanding under the Swingline loan and letters of credit, was $707,632. The ETP Revolving Credit Facility is fully and unconditionally guaranteed by ETC OLP and Titan and all of their direct and indirect wholly-owned subsidiaries. The ETP Revolving Credit Facility is unsecured and has equal rights to holders of our other current and future unsecured debt.

Long-term debt (net of current portion) we assumed in connection with the Transwestern acquisition on December 1, 2006 was as follows:

5.39% Notes due November 17, 2014	$270,000
5.54% Notes due November 17, 2016	250,000
Total long-term debt outstanding	520,000
Unamortized debt discount	(623)
Total long-term debt assumed	$519,377

No principal payments are required under any of the debt agreements prior to their respective maturity dates. However, in connection with our acquisition of Transwestern, due to a change in control provision in Transwestern's debt agreements, Transwestern was required to pre-pay approximately $307,000 of long-term debt, of which $292,000 was paid in February 2007 and $15,000 was paid in March 2007. These payments were financed with borrowings under ETP's Revolving Credit Facility.

In May 2007, Transwestern issued a total of $307,000 aggregate principal amount of Senior Unsecured Series Notes ("Unsecured Series Notes") comprised of the following:

Principal	Interest Rate	Maturity Date
$ 82,000	5.64%	May 24, 2017
150,000	5.89%	May 24, 2022
75,000	6.16%	May 24, 2037

The Partnership used $295,000 of the proceeds received to repay borrowings and accrued interest outstanding under the ETP Revolving Credit Facility and $12,000 for general partnership purposes. Interest is payable semi-annually, and the Unsecured Series Notes rank pari passu with Transwestern's other unsecured debt. The Unsecured Series Notes are prepayable at any time in whole or pro rata in part, subject to a premium or upon a change of control event, as defined.

Transwestern's credit agreements contain certain restrictions that, among other things, limit the incurrence of additional debt, the sale of assets and the payment of dividends and require certain debt to capitalization ratios.

A $75,000 Senior Revolving Facility (the "HOLP Facility") is available to HOLP through June 30, 2011. The HOLP Facility has a swingline loan option with a maximum borrowing of $10,000 at a prime rate. Amounts borrowed under the HOLP Facility bear interest at a rate based on either a Eurodollar rate or a prime rate. The commitment fee payable on the unused portion of the facility varies based on the Leverage Ratio, as defined in the HOLP Facility credit agreement, with a maximum fee of 0.50%. The agreement includes provisions that may require contingent prepayments in the event of dispositions, loss of assets, merger or change of control. All receivables, contracts, equipment, inventory, general intangibles, cash concentration accounts of HOLP, and the capital stock of HOLP's subsidiaries secure the HOLP Facility. As of May 31, 2007, there was no balance outstanding on the revolving credit loans. A Letter of Credit issuance is available to HOLP for up to 30 days prior to the maturity date of the HOLP Facility. There were outstanding Letters of Credit of $1,002 at May 31, 2007. The sum of the loans made under the HOLP Facility plus the Letter of Credit Exposure and the aggregate amount of all swingline loans cannot exceed the $75,000 maximum amount of the HOLP Facility. The amount available at May 31, 2007 was $73,998.

We were in compliance with all of the covenants of our debt agreements at May 31, 2007 and August 31, 2006.

14. PARTNERS' CAPITAL AND UNIT-BASED COMPENSATION PLANS:

Limited Partner Units

Limited Partner interests are represented by Common, Class E and (prior to May 1, 2007) Class G Units that entitle the holders thereof to the rights and privileges specified in the Partnership Agreement, as amended. As of May 31, 2007, we had limited partner interests represented by 136,979,887 Common Units issued and outstanding, an aggregate 98% Limited Partner interest. There are also 8,853,832 Class E Units outstanding that are reported as treasury units, which units are entitled to receive distributions in accordance with their terms.

Common Units

The change in Common Units during the nine month period ended May 31, 2007 is as follows:

Balance, beginning of period	110,726,999
Conversion of Class G Units to Common Units	26,086,957
Issuance of restricted Common Units under our unit-based compensation plans	165,931
Balance, end of period	136,979,887

Of the total restricted Common Units issued during the period, 156,573 were employee awards under our 2004 Unit Plan (discussed below), 7,025 were Director Awards under our 2004 Unit Plan, and 2,333 were Director Awards under our Restricted Unit Plan which vested on September 1, 2006. As of May 31, 2007, there are 1,333 unvested awards remaining under the Restricted Unit Plan (which plan was terminated in June 2004). No additional grants have been, or will be, made under the Restricted Unit Plan.

Class G Units

The change in Class G Units during the nine month period ended May 31, 2007 is as follows:

Balance, beginning of period	—
Issuance of Class G Units to Energy Transfer Equity, LP	26,086,957
Conversion of Class G Units to Common Units	(26,086,957)
Balance, end of period	—

On November 1, 2006, we issued 26,086,957 Class G Units to Energy Transfer Equity, LP (“ETE”) for aggregate proceeds of $1,200,000 in order to fund a portion of the Transwestern Acquisition and to repay indebtedness we incurred in connection with the Titan acquisition. The Class G Units, a newly created class of our limited partner interests, were issued to ETE at a price of $46.00 per unit, based upon a market discount from the closing price of our Common Units on October 31, 2006 of $48.94. The terms of the Class G Units provided that they may be converted to Common Units on a one-for-one basis upon approval of a majority of the votes cast by the holders of our Common Units provided that the total votes cast by such holders represent a majority of the Common Units entitled to vote. The Class G Units were issued to ETE pursuant to a customary agreement, and registration rights have been granted to ETE. On May 1, 2007, at a special meeting of the Common Unitholders, the unitholders approved the conversion of Class G Units to Common Units and all of the outstanding Class G Units converted to Common Units on a one-for-one basis on May 1, 2007.

Quarterly Distributions of Available Cash

On October 16, 2006, we paid a quarterly distribution related to the fourth quarter of our fiscal year 2006 of $0.75 per Common Unit, or $3.00 per unit annually, to Unitholders of record at the close of business on October 5, 2006.

On January 15, 2007, we paid a quarterly distribution related to the first quarter of our fiscal year 2007 of $0.7688 per Limited Partner Unit, or $3.075 per Limited Partner Unit annually, to Unitholders of record at the close of business on January 4, 2007.

On April 13, 2007, we paid a quarterly distribution related to the second quarter of our fiscal year 2007 of $0.7875, or $3.15 per Limited Partner Unit annually to Unitholders of record at the close of business on April 6, 2007.

On June 20, 2007, we declared a per unit cash distribution of $0.80625, or $3.225 per Limited Partner Unit annually (a $0.01875 increase from the previous quarterly distribution per Limited Partner Unit) for the quarter ended May 31, 2007, which will be paid on July 16, 2007 to Unitholders of record at the close of business on July 2, 2007.

On October 16, 2006, we paid a quarterly distribution of $42,609 in the aggregate in respect of our General Partner’s 2% general partner interest and its incentive distribution rights. On January 15, 2007, we paid a

quarterly distribution of $55,151 in the aggregate in respect of our General Partner's 2% general partner interest and its incentive distribution rights. On April 13, 2007 we paid a quarterly distribution of $57,720 in the aggregate in respect of our General Partner's 2% general partner interest and its incentive distribution rights. On July 16, 2007, we will pay a quarterly distribution of $60,290 in the aggregate in respect of our General Partner's 2% general partner interest and its incentive distribution rights. Our General Partner's incentive distributions rights entitle it to receive incentive distributions to the extent that quarterly distributions to our Unitholders exceed $0.275 per unit (which amount represents $1.10 per unit on an annualized basis). These incentive distributions entitle our General Partner to increasing percentages of our cash distributions based upon exceeding incentive distribution thresholds specified in our Partnership Agreement, which incentive distribution rights entitle our General Partner to receive 50% of our cash distributions in excess of $0.4125 per unit. At current distribution levels, our General Partner is entitled to receive cash distributions at the highest incentive distribution level of 50% with respect to our distributions in excess of $0.4125 per unit.

The total amount of distributions declared (all from Available Cash from Operating Surplus) related to the nine months ended May 31, 2007 was as follows:

Limited Partners - Common Units	$283,014
Class E Units	9,363
Class G Units	40,598
General Partners - 2% Ownership	10,123
Incentive Distribution Rights	163,038
	$506,136

Unit Based Compensation Plans

We follow the provisions of Statement of Financial Accounting Standards No. 123 (revised 2004) *Accounting for Stock-based Compensation* ("SFAS 123R") for our unit-based compensation plans. Adoption of SFAS 123R during fiscal 2006 did not have a material effect on our net income. As provided in SFAS 123R, the Partnership values the unit awards based on the per unit grant-date market value reduced by the present value of the distributions expected to be paid on the units during the requisite service period to which the award recipients are not entitled. The present value of expected service period distributions is computed based on the risk-free interest rate, the expected life of the unit grants and the expected unit distributions.

We recognized compensation expense of $5,324 for the three months ended May 31, 2007. Unit based compensation expense for the three months ended May 31, 2006 was not significant. For the nine months ended May 31, 2007 and 2006 we recognized compensation expense related to unit-based compensation plans of $11,395 and $5,375, respectively, as discussed below.

2004 Unit Plan

Our Amended and Restated 2004 Unit Award Plan (the "2004 Unit Plan") provides for awards of up to 1,800,000 ETP Common Units and other rights to our employees, officers, and directors. As of May 31, 2007, 1,022,707 ETP Common Units were available for future grants under the 2004 Unit Plan.

Employee Grants

The Compensation Committee, in its discretion, may from time to time grant awards to any employee, upon such terms and conditions as it may determine appropriate and in accordance with general guidelines as defined by the 2004 Unit Plan. All outstanding awards shall fully vest into units upon any Change in Control, as defined by the 2004 Unit Plan, or upon such terms as the Compensation Committee may require at the time the award is granted.

To date, all of the awards granted to employees under the 2004 Unit Plan require the achievement of performance objectives in order for the awards to become vested. The expected life of each grant is assumed to be the minimum vesting period under the performance objectives of each grant. Generally, each award has been structured to provide that, if the performance objectives related to such award are achieved, one third of the units subject to such award will vest each year over a three-year period. The performance criteria are generally based upon the total return (unit price appreciation plus cash distributions) to our Unitholders as

compared to a group of publicly traded partnership peer companies. Management deems it probable that all units will vest; thus, compensation expense was recorded. The issuance of Common Units pursuant to the 2004 Unit Plan is intended to serve as a means of incentive compensation, therefore, no consideration will be payable by the plan participants upon vesting and issuance of the Common Units.

We assumed a weighted average risk-free interest rate of 4.42% for the three and nine months ended May 31, 2007 in estimating the present value of the future cash flows of the distributions during the vesting period on the measurement date of each employee grant. For the employee awards outstanding as of the period ended May 31, 2007, the grant-date average per unit cash distributions were estimated to be $5.15. Upon vesting, ETP Common Units are issued.

The following table shows the activity of the employee grants during the nine months ended May 31, 2007:

	Number of Units	Weighted Average Fair Value Per Unit
Unvested awards as of August 31, 2006	357,750	$ 24.96
Awards granted	399,500	43.36
Awards vested	(156,573)	24.15
Awards forfeited	(68,140)	33.57
Unvested awards as of May 31, 2007	532,537	$ 38.05

The total expected compensation expense to be recognized related to the unvested employee awards as of May 31, 2007 is $5,191 for the remainder of fiscal year 2007, $11,513 for fiscal year 2008, $5,525 for fiscal year 2009, $2,298 for fiscal year 2010, $1,188 for fiscal year 2011, and $328 for fiscal year 2012.

Director Grants

Each director who is not also (i) a shareholder or a direct or indirect employee of any parent, or (ii) a direct or indirect employee of ETP LLC, the Partnership, or a subsidiary (“Director Participant”), who is elected or appointed to the Board for the first time shall automatically receive, on the date of his or her election or appointment, an award of up to 2,000 ETP Common Units (the “Initial Director’s Grant”). Each September 1 that this Plan is in effect, each Director Participant who is in office on such September 1, shall automatically receive an award of Units equal to $25 ($15 prior to October 17, 2006) divided by the fair market value of a Common Unit on such date rounded to the nearest increment of ten Units (“Annual Director’s Grant”). Each grant of an award to a Director Participant will vest at the rate of one third per year, beginning on the first anniversary date of the Award; provided however, notwithstanding the foregoing, (i) all awards to a Director Participant shall become fully vested upon a Change in Control, as defined by the Plan, unless voluntarily waived by such Director Participant, and (ii) all awards which have not yet vested on the date a Director Participant ceases to be a director shall vest on such terms as may be determined by the Compensation Committee.

We assumed a weighted average risk-free interest rate of 3.80% for the three and nine months ended May 31, 2007 in estimating the present value of the future cash flows of the distributions during the vesting period on the measurement date of each Director Grant. For the Director Awards granted during the three and nine months ended May 31, 2007, the grant-date average per unit cash distributions were estimated to be $4.95.

The following table shows the activity of the Director Grants during the nine months ended May 31, 2007:

	Number of Units	Weighted Average Fair Value Per Unit
Unvested awards as of August 31, 2006	15,951	$ 22.54
Awards vested	(7,025)	22.45
Awards granted	3,240	41.47
Unvested awards as of May 31, 2007	12,166	$ 27.63

The total expected compensation expense to be recognized related to the unvested Director Awards as of May 31, 2007 is $44 for the remainder of fiscal year 2007, $60 for fiscal year 2008, and $14 for fiscal year 2009.

On October 17, 2006, the Compensation Committee recommended, following its receipt and review of an independent third-party compensation study, and the Board of Directors approved, an amendment to the 2004 Unit Plan to provide that Annual Director's Grants shall be equal to $25 divided by the fair market value of Common Units on that date. All other Annual Director's Grants shall be measured at September 1 of each year.

Long-Term Incentive Grants

The Compensation Committee may, from time to time, grant awards under the Plan to any executive officer or any employee it designates as a participant in accordance with general guidelines under the Plan. As of May 31, 2007, there have been no long-term incentive grants made under the Plan.

Related Party Awards

Through May 31, 2007, a partnership, the general partner of which is owned and controlled by the President of our General Partner, awarded new officers of ETP certain rights related to units of ETE previously issued by ETE to such officer. These rights include the economic benefits of ownership of these units based on a 5-year vesting schedule whereby the employee will vest in the units at a rate of 20% per year. None of the costs related to such awards are paid by ETP or ETE. Based on GAAP covering related party transactions and unit-based compensation arrangements, we are recognizing non-cash compensation expense over the vesting period based on the grant date per unit market value of the ETE units awarded the ETP employees assuming no forfeitures. Awards granted for the nine months ended May 31, 2007 result in a total non-cash compensation expense of approximately $19,258 to be recognized over the related vesting period. For the three and nine month periods ended May 31, 2007, we recognized non-cash compensation expense of $2,256 and $2,610, respectively, as a result of these awards. As these units were outstanding prior to these awards, the awards do not represent an increase in the number of outstanding units of either ETP or ETE and are not dilutive to cash distributions per unit with respect to either ETP or ETE. We expect to recognize non-cash compensation expense as follows in future periods related to these awards:

Remainder of fiscal 2007	$2,256
Fiscal 2008	6,699
Fiscal 2009	3,878
Fiscal 2010	2,298
Fiscal 2011	1,188
Fiscal 2012	329

15. REGULATORY MATTERS, COMMITMENTS, CONTINGENCIES, AND ENVIRONMENTAL LIABILITIES:

Regulatory Matters

On September 29, 2006, Transwestern filed revised tariff sheets under Section 4(e) of the Natural Gas Act (NGA) proposing a general rate increase to be effective on November 1, 2006. On March 9, 2007, Transwestern filed with the FERC its Stipulation and Agreement of Settlement (Stipulation and Agreement)

which provides for (i) revised base tariff rates, (ii) the amortization of certain costs, including the Enron Cash Balance Plan, regulatory commission expense, post retirement benefits, the accumulated reserve adjustment regulatory asset, deferred income taxes, and certain non-PCB environmental costs, and (iii) a depreciation rate of 1.20 percent for all transmission plant facilities. On April 27, 2007, FERC approved the Stipulation and Agreement with an effective date of April 1, 2007. Transwestern's tariff rates and fuel charges are now final for the period of the settlement. In addition, on June 26, 2007, the FERC approved the uncontested February 1, 2007 filed settlement, which settlement fully resolves all the issues set for technical conference by the October 31, 2006 Order, except for the gas quality specifications for Wobbe and Btu.

The Phoenix Expansion project, as filed with FERC on September 15, 2006, includes the construction and operation of approximately 260 miles of 36-inch or larger diameter pipeline extending from Transwestern's existing mainline in Yavapai County, Arizona to delivery points in the Phoenix, Arizona area and certain looping on Transwestern's existing San Juan Lateral with approximately 25 miles of 36-inch diameter pipeline. Total project costs are estimated to be approximately $710,000 with a projected in-service date in the third or fourth calendar quarter of 2008, subject to FERC approval. On April 27, 2007 the FERC issued the draft environmental impact statement to Transwestern. Transwestern has incurred expenditures of $62,312 through May 31, 2007 for the Phoenix Expansion project.

On December 13, 2006, we entered into an agreement with Kinder Morgan Energy Partners, L.P. for a 50/50 joint development of MEP. MEP, an approximately 500-mile interstate natural gas pipeline which will originate near Bennington, Oklahoma and terminate at an interconnect with Transco in Butler, Alabama, is currently pending necessary regulatory approvals. On February 14, 2007, MEP initiated public review of the project pursuant to FERC's NEPA pre-filing review process. MEP anticipates filing its application with FERC for a Natural Gas Act Section 7 Certificate of Public Convenience and Necessity by August 27, 2007. The Section 7 Certificate must be granted before construction may commence. The approximately $1,250,000 pipeline project is expected to be in service by February 2009.

Commitments

As a result of the Transwestern acquisition, we have additional non-cancelable operating leases for property and equipment which require annual rental payments of approximately $3,400 through year 2009 and $300 through year 2020. Transwestern is currently negotiating an extension of the operating lease expiring in 2009.

Total rental expense under our operating leases was approximately $9,366 and $21,555 for the three and nine months ended May 31, 2007, respectively, and has been included in operating expenses in the condensed consolidated statements of operations.

In the normal course of our business, we purchase, process and sell natural gas pursuant to long-term contracts and enter into long-term transportation and storage agreements. Such contracts contain terms that are customary in the industry. We believe that such terms are commercially reasonable and will not have a material adverse effect on our financial position or results of operations.

Titan has a long-term purchase contract with Enterprise Products Operating, L.P. (an affiliate of Enterprise GP Holdings, L.P. who owns a 34.9% non-controlling equity interest in LE GP, L.L.C., ETE's General Partner, see Note 17) to purchase substantially all of Titan's propane requirements. The contract continues until March 31, 2010 and contains renewal and extension options. The contract contains various service level agreements between the parties.

On October 3, 2006, we entered into long-term agreements with CenterPoint Energy Resources Corp. ("CenterPoint") to provide the natural gas utility with firm transportation and storage services on our HPL System located along the Texas gulf coast region commencing on April 1, 2007. These agreements replace a previous agreement with CenterPoint. Under the terms of the new agreements, CenterPoint has contracted for 129 Bcf per year of firm transportation capacity combined with 10 Bcf of working gas storage capacity in our Bammel Storage facility. Under the new agreements with CenterPoint, we will no longer need to utilize predominately all of the Bammel Storage facility's working gas capacity for supplying CenterPoint's winter needs. This may reduce our working capital requirements that were necessary to finance the working gas while in storage and may provide us an opportunity to offer storage to third parties.

In connection with the Partnership's acquisition of the ET Fuel System in June 2004, it entered into an eight year transportation agreement with TXU Portfolio Management Company, LP ("TXU Shipper") to transport a minimum of 115,600 MMBtu per year (reduced to 100,000 MMBtu per year in January, 2006). As of May 31, 2007 and 2006, respectively, the Partnership was entitled to receive additional fees for the difference between actual volumes transported by TXU Shipper on the ET Fuel System and the minimum amount as stated above during the twelve-month periods then ended. As a result, the Partnership recognized approximately $10,800 and $14,700 in additional fees during the three months ended May 31, 2007 and 2006, respectively.

In connection with our acquisition of the HPL System in 2004, we assumed a contract with a service provider which obligated us to obtain certain compression, measurement and other services through 2007 with monthly payments of approximately $1,700. We terminated the measurement portion of this contract in October 2006 for a payment of approximately $7,000. The remaining compression services total approximately $800 per month through October 2007.

Litigation and Contingencies

We may, from time to time, be involved in litigation and claims arising out of our operations in the normal course of business. Natural gas and propane are flammable, combustible gases. Serious personal injury and significant property damage can arise in connection with their transportation, storage or use. In the ordinary course of business, we are sometimes threatened with or named as a defendant in various lawsuits seeking actual and punitive damages for product liability, personal injury and property damage. We maintain liability insurance with insurers in amounts and with coverages and deductibles management believes are reasonable and prudent, and which are generally accepted in the industry. However, there can be no assurance that the levels of insurance protection currently in effect will continue to be available at reasonable prices or that such levels will remain adequate to protect us from material expenses related to product liability, personal injury or property damage in the future.

In re Natural Gas Royalties Qui Tam Litigation. MDL Docket No. 1293 (D. WY), Jack Grynberg, an individual, has filed actions against a number of companies, including Transwestern, now transferred to the U.S. District Court for the District of Wyoming, for damages for mis-measurement of gas volumes and Btu content, resulting in lower royalties to mineral interest owners. On October 20, 2006, the District Judge adopted in part the earlier recommendation of the Special Master in the case and ordered the dismissal of the case against Transwestern. Transwestern believes that its measurement practices conformed to the terms of its FERC Gas Tariffs, which were filed with and approved by the FERC. As a result, Transwestern believes that is has meritorious defenses to these lawsuits (including FERC-related affirmative defenses, such as the filed rate/tariff doctrine, the primary/exclusive jurisdiction of FERC, and the defense that Transwestern complied with the terms of its tariffs) and will continue to vigorously defend against them, including any appeal which may be taken from the dismissal of the Grynberg case. Transwestern does not believe the outcome of this case will have a material adverse effect on its financial position, results of operations or cash flows. A hearing was held on April 24, 2007 regarding Transwestern's Supplemental Brief for Attorneys' fees which was filed on January 8, 2007 and the issues are submitted and are awaiting a decision. Grynberg moved to have the cases he appealed remanded to the district court for consideration in light of a recently-issued Supreme Court case. The defendants/appellees opposed the motion. The Tenth Circuit motions panel referred the remand motion to the merits panel to be carried with the appeals. Grynberg's opening brief is due July 31, 2007. Appellee's opposition brief is due November 21, 2007.

Transwestern is managing one threatened trespass action related to right of way (ROW) on Tribal or allottee land. The threatened action concerns 5,100 feet of ROW on private allotments within the Laguna Pueblo that expired on December 28, 2002. Transwestern received a letter dated March 19, 2003 from the United States Department of the Interior, Bureau of Indian Affairs (BIA) on behalf of the two allottees asserting trespass. Transwestern's legal exposure related to this matter is not currently determinable. Negotiations are ongoing on this matter.

Another action involves an agreement with the BIA covering 44 miles of ROW on a total of 68 Navajo allotments. This ROW agreement expired on January 1, 2004. One allottee sent a letter dated January 16, 2004 to the BIA claiming Transwestern trespassed and that allotee's claim of trespass has been settled and his consent to use the property has been acquired. Transwestern filed a renewal application with the BIA during October 2002, and has received two grants from the BIA for allotted lands in New Mexico and Arizona, which are effective through December 31, 2023.

At the time of the HPL acquisition, AEP Energy Services Gas Holding Company II, L.L.C., HPL Consolidation LP and its subsidiaries (the "HPL Entities"), their parent companies and American Electric Power Corporation ("AEP"), were engaged in ongoing litigation with Bank of America ("B of A") that related to AEP's acquisition of HPL in the Enron bankruptcy and B of A's financing of cushion gas stored in the Bammel Storage facility ("Cushion Gas"). This litigation is referred to as the "Cushion Gas Litigation". Under the terms of the Purchase and Sale Agreement and the related Cushion Gas Litigation Agreement, AEP and its subsidiaries that were the sellers of the HPL Entities retained control of the Cushion Gas Litigation and have agreed to indemnify ETC OLP and the HPL Entities for any damages arising from the Cushion Gas Litigation and the loss of use of the Cushion Gas, up to a maximum of the amount paid by ETC OLP for the HPL Entities and the working gas inventory. The Cushion Gas Litigation Agreement terminates upon final resolution of the Cushion Gas Litigation. In addition, under the terms of the Purchase and Sale Agreement, AEP retained control of additional matters relating to ongoing litigation and environmental remediation and agreed to bear the costs of or indemnify ETC OLP and the HPL Entities for the costs related to such matters.

Following the natural gas market disruptions and related natural gas price volatility occurring in the Houston Ship Channel market around the times of the hurricanes in the fall of 2005, federal regulatory agencies commenced inquiries into certain activities during this period. Subsequently, the FERC and the Commodity Futures Trading Commission ("CFTC") initiated investigations into whether ETP engaged in manipulative or improper trading activities in the Houston Ship Channel market around the times of the hurricanes in the fall of 2005, as well as other prior periods, in order to benefit financially from our commodities derivative positions and from certain of our index-priced physical gas purchases in the Houston Ship Channel market. FERC is also investigating certain of ETP's intrastate transportation activities. In connection with these investigations, we have responded to discovery subpoenas of, and have otherwise provided information to, these agencies concerning our physical sales of natural gas and financial derivatives transactions, along with certain natural gas transportation activities, during the periods covered by the investigations. It is our position that our trading and transportation activities during these periods complied in all material respects with applicable rules and regulations; however, the laws and regulations in this area, particularly as they relate to alleged market manipulation, are vague, subject to broad interpretation, and offer little guiding precedent, while at the same time the FERC and CFTC hold substantial enforcement authority, including the ability to assess fines of up to $1 million per day per violation, to order the disgorgement of profits, and to recommend criminal penalties. We have recently engaged in discussions with these agencies related to their views of possible violations of applicable laws and regulations, and potential penalties related thereto, as well as settlement negotiations to resolve these matters. Management believes that these agencies will require a payment in order to conclude these investigations on a negotiated settlement basis. Our existing accruals for litigation and contingencies include an accrual related to these matters. At this time, we are unable to predict the final outcome of these matters, including whether private rights of action or other proceedings related to the investigation may occur, and whether our existing accrual for financial reporting purposes will be sufficient to resolve all such matters.

In addition to those matters described above, we or our subsidiaries are a party to various legal proceedings and/or regulatory proceedings incidental to our businesses. For each of these matters, we evaluate the merits of the case, our exposure to the matter, possible legal or settlement strategies, the likelihood of an unfavorable outcome and the availability of insurance coverage. If we determine that an unfavorable outcome of a particular matter is probable, can be estimated and is not covered by insurance, we make an accrual for the matter. For matters that are covered by insurance, we accrue the related deductible. As new information becomes available, our estimates may change. The impact of these changes may have a significant effect on our results of operations in a single period.

The outcome of these matters cannot be predicted with certainty and it is possible that the outcome of a particular matter will result in the payment of an amount in excess of the amount accrued for the matter. As our accrual amounts are non-cash, any cash payment of an amount in resolution of a particular matter would likely be made from cash from operations or borrowings. If cash payments to resolve a particular matter substantially exceed our accrual for such matter, we may experience a material adverse impact on our results of operations, cash available for distribution and our liquidity.

As of May 31, 2007 and August 31, 2006, an accrual of $30,301 and $32,148, respectively, was recorded as accrued and other current liabilities and other non-current liabilities on our condensed consolidated balance sheets for our contingencies and current litigation matters, excluding accruals related to environmental matters.

Environmental

Our operations are subject to extensive federal, state and local environmental laws and regulations that require expenditures for remediation at operating facilities and waste disposal sites. Although we believe our operations are in substantial compliance with applicable environmental laws and regulations, risks of additional costs and liabilities are inherent in the natural gas pipeline and processing business, 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 stringent environmental laws, regulations and enforcement policies thereunder, and claims for damages to property or persons resulting from the operations, could result in substantial costs and liabilities. Accordingly, we have adopted policies, practices, and procedures in the areas of pollution control, product safety, occupational health, and the handling, storage, use, and disposal of hazardous materials to prevent material environmental or other damage, and to limit the financial liability,

which could result from such events. However, some risk of environmental or other damage is inherent in the natural gas pipeline and processing business, as it is with other entities engaged in similar businesses.

Transwestern conducts soil and groundwater remediation at a number of its facilities. Some of the clean up activities include remediation of several compressor sites on the Transwestern system for presence of polychlorinated biphenyls (PCBs) which are not eligible for recovery in rates. The total accrued future estimated cost of remediation activities expected to continue for several years is $12,937. Transwestern received FERC approval for rate recovery of the portion of soil and groundwater remediation not related to PCBs effective April 1, 2007.

Transwestern continues to incur certain costs related to PCBs that migrated into customers' facilities. Because of the continued detection of PCBs in the customers' facilities downstream of Transwestern's Topock and Needles stations, Transwestern, as part of ongoing arrangements with customers, continues to incur costs associated with containing and removing the PCBs. Costs of these remedial activities totaled approximately $259 for the period since acquisition. Future costs cannot be reasonably estimated because remediation activities are undertaken as claims are made by customers and former customers, and accordingly, no accrual has been established for these costs at May 31, 2007. However, such future costs are not expected to have a material impact on our financial position, results of operations or cash flows.

Environmental regulations were recently modified for United States Environmental Protection Agency's Spill Prevention, Control and Countermeasures (SPCC) program. We are currently reviewing the impact to our operations and expect to expend resources on tank integrity testing and any associated corrective actions as well as potential upgrades to containment structures. Costs associated with tank integrity testing and resulting corrective actions cannot be reasonably estimated at this time, but we believe such costs will not have a material adverse effect on our financial position, results of operations or cash flows.

In July 2001, HOLP acquired a company that had previously received a request for information from the U.S. Environmental Protection Agency (the "EPA") regarding potential contribution to a widespread groundwater contamination problem in San Bernardino, California, known as the Newmark Groundwater Contamination. Although the EPA has indicated that the groundwater contamination may be attributable to releases of solvents from a former military base located within the subject area that occurred long before the facility acquired by HOLP was constructed, it is possible that the EPA may seek to recover all or a portion of groundwater remediation costs from private parties under the Comprehensive Environmental Response, Compensation, and Liability Act (commonly called Superfund). We have not received any follow-up correspondence from the EPA on the matter since our acquisition of the predecessor company in 2001. Based upon information currently available to us, it is believed that HOLP's liability if such action were to be taken by the EPA would not have a material adverse effect on our financial condition or results of operations.

In conjunction with the October 1, 2002 acquisition of the Texas and Oklahoma natural gas gathering and gas processing assets from Aquila Gas Pipeline, Aquila, Inc. ("Aquila") agreed to indemnify us for any environmental liabilities that arose from the operation of the assets for the period prior to October 1, 2002. Aquila also agreed to indemnify us for 50% of any environmental liabilities that arose from the operations of Oasis Pipe Line Company prior to October 1, 2002.

We also assumed certain environmental remediation matters related to eleven sites in connection with our acquisition of HPL.

Petroleum-based contamination or environmental wastes are known to be located on or adjacent to six sites on which HOLP presently has, or formerly had, retail propane operations. These sites were evaluated at the time of their acquisition. In all cases, remediation operations have been or will be undertaken by others, and in all six cases, HOLP obtained indemnification rights for expenses associated with any remediation from the former owners or related entities. We have not been named as a potentially responsible party at any of these sites, nor have our operations contributed to the environmental issues at these sites. Accordingly, no amounts have been recorded in our May 31, 2007 or August 31, 2006 condensed consolidated balance sheets. Based on information currently available to us, such projects are not expected to have a material adverse effect on our financial condition or results of operations.

Environmental exposures and liabilities are difficult to assess and estimate due to unknown factors such as the magnitude of possible contamination, the timing and extent of remediation, the determination of our liability in proportion to other parties, improvements in cleanup technologies and the extent to which environmental laws

and regulations may change in the future. Although environmental costs may have a significant impact on the results of operations for any single period, we believe that such costs will not have a material adverse effect on our financial position.

As of May 31, 2007 and August 31, 2006, an accrual on an undiscounted basis of $17,345 and $4,387, respectively, was recorded in our condensed consolidated balance sheets as accrued and other current liabilities and other non-current liabilities to cover material environmental liabilities related to certain matters assumed in connection with the HPL acquisition, the Transwestern acquisition, and the potential environmental liabilities for three sites that were formerly owned by Titan or its predecessors. A receivable of $388 was recorded in our condensed consolidated balance sheets as of May 31, 2007 and August 31, 2006 to account for a predecessor's share of certain environmental liabilities of ETC OLP.

Based on information available at this time, and reviews undertaken to identify potential exposure, we believe the amount reserved for all of the above environmental matters is adequate to cover the potential exposure for clean-up costs.

Our operations are subject to regulation by the U.S Department of Transportation ("DOT") under the Hazardous Liquids Pipeline Safety Act ("HLPSA") pursuant to which the DOT has established regulations relating to the design, installation, testing, construction, operation, replacement and management of pipeline facilities. Moreover, the DOT, through the Office of Pipeline Safety, has promulgated a rule requiring pipeline operators to develop integrity management programs to comprehensively evaluate their pipelines, and take measures to protect pipeline segments located in what the rule refers to as "high consequence areas." Based on the results of our current pipeline integrity testing programs, we estimate that compliance with these federal regulations and analogous state pipeline integrity requirements for our existing transportation assets other than Transwestern Pipeline will result in capital costs of $15,746 during the period between the remainder of calendar year 2007 through 2008, as well as operating and maintenance costs of $17,927 during that period. During this same time period, we estimate that we will incur pipeline integrity operating and maintenance costs of $8,500 with respect to our Transwestern Pipeline. Through May 31, 2007, a total of $11,800 of capital costs and $12,000 of operating and maintenance costs have been incurred for pipeline integrity testing. Integrity testing and assessment of all of these assets will continue, and the potential exists that results of such testing and assessment could cause us to incur even greater capital and operating expenditures for repairs or upgrades deemed necessary to ensure the continued safe and reliable operation of its pipelines.

16. PRICE RISK MANAGEMENT ASSETS AND LIABILITIES:

Accounting for Derivative Instruments and Hedging Activities

We apply Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS 133") as amended to account for our derivative financial instruments. This statement requires that all derivatives be recognized in the balance sheet as either an asset or liability measured at fair value. Special accounting for qualifying cash flow hedges allows a derivative's gains and losses to offset related results on the hedged item in the statement of operations and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting treatment.

Cash flows from derivatives accounted for as cash flow hedges are reported as cash flows from operating activities, in the same category as the cash flows from the items being hedged.

We use a combination of financial instruments including, but not limited to, futures, price swaps, options and basis swaps to manage our exposure to market fluctuations in the prices of natural gas and NGLs. We enter into these financial instruments with brokers who are clearing members with NYMEX and directly with counterparties in the over-the-counter ("OTC") market. We are subject to margin deposit requirements under the OTC agreements and NYMEX positions. NYMEX requires brokers to obtain an initial margin deposit based on an expected volume of the trade when the financial instrument is initiated. This amount is paid to the broker by both counterparties of the financial instrument to protect the broker from default by one of the counterparties when the financial instrument settles. We also have maintenance margin deposits with certain counterparties in the OTC market. The payments on margin deposits occur when the value of a derivative exceeds our pre-established credit limit with the counterparty. Margin deposits are returned to us on the settlement date. We had net deposits with derivative counterparties of $46,579 and $87,806 as of May 31, 2007 and August 31, 2006, respectively, reflected as deposits paid to vendors on our consolidated balance sheets.

Commodity Price Risk

We are exposed to market risks related to the volatility of natural gas, NGL and propane prices. To reduce the impact of this price volatility, we primarily use derivative commodity instruments (futures and swaps) to manage our exposure to fluctuations in commodity prices. We have established a formal risk management policy in which derivative financial instruments are employed in connection with an underlying asset, liability and/or anticipated transaction. At inception of a hedge, we formally document the relationship between the hedging instrument and the hedged item, the risk management objectives, and the methods used for assessing and testing effectiveness and how any ineffectiveness will be measured and recorded. We also assess, both at the inception of the hedge and on a quarterly basis, whether the derivatives that are used in our hedging transactions are highly effective in offsetting changes in cash flows. If we determine that a derivative is no longer highly effective as a hedge, we discontinue hedge accounting prospectively by including changes in the fair value of the derivative in current earnings. Furthermore, on a bi-weekly basis, management reviews the creditworthiness of the derivative counterparties to manage against the risk of default.

The market prices used to value our financial derivatives and related transactions have been determined using independent third party prices, readily available market information, broker quotes and appropriate valuation techniques.

Non-trading Activities

We utilize various exchange-traded and over-the-counter commodity financial instrument contracts to limit our exposure to margin fluctuations in natural gas, NGL and propane prices. These contracts consist primarily of futures and swaps and are recorded at fair value on the consolidated balance sheets. If we designate a derivative financial instrument as a cash flow hedge and it qualifies for hedge accounting, a change in the fair value is deferred in Accumulated Other Comprehensive Income (“OCI”) until the underlying hedged transaction occurs. Any ineffective portion of a cash flow hedge’s change in fair value is recognized each period in earnings. Realized gains and losses on derivative financial instruments that are designated as cash flow hedges are included in cost of products sold in the period the hedged transactions occur. Gains and losses deferred in OCI related to cash flow hedges remain in OCI until the underlying physical transaction occurs, unless it is probable that the forecasted transaction will not occur by the end of the originally specified time period or within an additional two-month period of time thereafter. For those financial derivative instruments that do not qualify for hedge accounting the change in market value is recorded in cost of products sold in the consolidated statements of operations. We reclassified into earnings gains of $20,205 and $142,921 for the three and nine months ended May 31, 2007, respectively, and gains of $2,789 and $44,463 for the three and nine months ended May 31, 2006, respectively, related to commodity financial instruments that were previously reported in OCI.

We expect losses of $7,898 to be reclassified into earnings over the next twelve months related to income currently reported in OCI. The amount ultimately realized, however, will differ as commodity prices change and the underlying physical transaction occurs. The majority of our commodity-related derivatives are expected to settle within the next two years.

In the course of normal operations, we routinely enter into contracts such as forward physical contracts for the purchase and sale of natural gas, propane, and other NGLs, that under SFAS 133, qualify for and are designated as a normal purchase and sales contracts. Such contracts are exempted from the fair value accounting requirements of SFAS 133 and are accounted for using accrual accounting. For contracts that are not designated as normal purchase and sales contracts, the change in market value is recorded in costs of products sold in the consolidated statements of operations. In connection with the HPL acquisition, we acquired certain physical forward contracts that contain embedded options. These contracts have not been designated as normal purchase and sale contracts, and therefore, are marked to market in addition to the financial options that offset them. The Black-Scholes valuation model was used to estimate the value of these embedded options.

Trading Activities

Trading activities are monitored independently by our risk management function and must take place within predefined limits and authorizations. Certain strategies are considered trading for accounting purposes and are executed with the use of a combination of financial instruments including, but not limited to, basis contracts and gas daily contracts. The derivative contracts that are entered into for trading purposes, subject to limits, are recognized on the consolidated balance sheets at fair value. The changes in the fair value of these

derivative instruments are recognized in midstream and intrastate transportation and storage revenue in the consolidated statements of operations on a net basis. Net losses associated with trading activities for the three and nine months ended May 31, 2007 were $1,753 and $509, respectively. Included in the trading revenue was unrealized losses of $2,282 and $19,810 for the three and nine months ended May 31, 2007, respectively. For the three and nine months ended May 31, 2006, trading activities consisted of gains of $6,323 and $56,160, respectively, including unrealized losses of $1,064 and $20,181, respectively.

The following table details the outstanding commodity-related derivatives as of May 31, 2007 and August 31, 2006, respectively:

May 31, 2007	Commodity	Notional Volume MMBTU	Maturity	Fair Value
Mark to Market Derivatives				
(Non-Trading)				
Basis Swaps IFERC/NYMEX	Gas	19,169,697	2007-2009	$ 7,746
Swing Swaps IFERC	Gas	(4,942,500)	2007-2008	365
Fixed Swaps/Futures	Gas	(9,867,500)	2007-2009	(1,705)
Forward Physical Contracts	Gas	(12,584,549)	2007-2008	128
Options	Gas	(1,038,000)	2007-2008	(176)
Propane Swaps - in Gallons	Propane	882,000	2007-2008	12
(Trading)				
Basis Swaps IFERC/NYMEX	Gas	2,747,500	2007-2008	$ 2,666
Swing Swaps IFERC	Gas	3,300,000	2007	(249)
Forward Physical Contracts	Gas	—	2007	(352)
Fixed Swaps/Futures	Gas	(300,000)	2007	21
Cash Flow Hedging Derivatives				
(Non-Trading)				
Basis Swaps IFERC/NYMEX	Gas	(21,407,500)	2007-2009	$ (291)
Fixed Swaps/Futures	Gas	(22,332,500)	2007-2009	(1,918)
August 31, 2006				
Mark to Market Derivatives				
(Non-Trading)				
Basis Swaps IFERC/NYMEX	Gas	33,711,140	2006-2009	$ (6,247)
Swing Swaps IFERC	Gas	(37,220,448)	2006-2008	2,618
Fixed Swaps/Futures	Gas	3,607,500	2006-2007	(170)
Forward Physical Contracts	Gas	(7,986,000)	2006-2008	(21,653)
Options	Gas	(1,046,000)	2006-2008	21,653
Forward/Swaps - in Gallons	Propane	24,066,000	2006-2007	199
(Trading)				
Basis Swaps IFERC/NYMEX	Gas	(2,572,500)	2006-2008	$ 21,995
Swing Swaps IFERC	Gas	—	2006	(31)
Forward Physical Contracts	Gas	(455,000)	2006	(68)
Cash Flow Hedging Derivatives				
(Non-Trading)				
Basis Swaps IFERC/NYMEX	Gas	(34,585,000)	2006-2007	$ (2,987)
Fixed Swaps/Futures	Gas	(37,872,500)	2006-2007	2,043

Estimates related to our gas marketing activities are sensitive to uncertainty and volatility inherent in the energy commodities markets and actual results could differ from these estimates. We also attempt to maintain balanced positions in our non-trading activities to protect ourselves from the volatility in the energy commodities markets; however, net unbalanced positions can exist. Long-term physical contracts are tied to

index prices. System gas, which is also tied to index prices, is expected to provide the gas required by our long-term physical contracts. When third-party gas is required to supply long-term contracts, a hedge is put in place to protect the margin on the contract. Financial contracts, which are not tied to physical delivery, will be offset with financial contracts to balance our positions. To the extent open commodity positions exist in our trading and non-trading activities, fluctuating commodity prices can impact our financial results and financial position, either favorably or unfavorably.

During the nine months ended May 31, 2007 and 2006, the Partnership discontinued application of hedge accounting in connection with certain derivative financial instruments that were qualified for and designated as cash flow hedges related to forecasted sales of natural gas stored in the Partnership's Bammel storage facilities. The discontinuation resulted from management's determination that the originally forecasted sales of natural gas from the storage facilities were no longer probable of occurring by the end of the originally specified time period, or within an additional two-month period of time thereafter. The determination was made principally due to the unseasonably warm weather that occurred during February and March of 2006 and 2007. One of the key criteria to achieve hedge accounting under SFAS 133 is that the forecasted transaction be probable of occurring as originally set forth in the hedge documentation. As a result, during the three months ended May 31, 2007, the Partnership recognized previously deferred unrealized gains of $19,321 from the discontinued application of hedge accounting, which is included in the reclassification into earnings from OCI. The Partnership recognized previously deferred gains of $37,169 and $84,680 from the discontinued application of hedge accounting during the nine months ended May 31, 2007 and 2006, respectively. The Partnership classified the unrealized gains as costs of products sold in its consolidated statements of operations.

Interest Rate Risk

We are exposed to market risk for changes in interest rates related to our bank credit facilities. We manage a portion of our interest rate exposures by utilizing interest rate swaps and similar arrangements which allow us to effectively convert a portion of variable rate debt into fixed rate debt. Certain of our interest rate derivatives are accounted for as cash flow hedges. We report the realized gain or loss and ineffectiveness portions of those hedges in interest expense. Gains and losses on interest rate derivatives that are not cash flow hedges are classified in other income beginning in fiscal 2007. Prior to fiscal 2007, such gains or losses were reported in interest expense.

We entered into forward starting interest rate swaps with a notional value of $600,000 during the three months ended May 31, 2007. The fair value of the swaps was recorded as an asset of $15,733 on the consolidated balance sheet as of May 31, 2007. We did not apply hedge accounting to these instruments; therefore, changes in the fair value of these swaps were recorded as other income on the condensed consolidated statements of operations. These swaps were terminated in June 2007 for a gain of approximately $31,500.

We entered into forward starting interest swaps with a notional value of $400,000 during the three months ended August 31, 2006. The fair value of the swaps was recorded as a liability of $8,699 on the condensed consolidated balance sheets as of August 31, 2006. The swaps were accounted for as cash flow hedges under SFAS 133 and recorded as a component of OCI, to be reclassified to interest expense in the future as the related interest payments are made. These interest swaps were terminated in April, 2007 at a cost of approximately $13,400.

We entered into treasury locks and interest rate swaps with a notional amount of $300,000 during the third fiscal quarter of 2006. We elected to not apply hedge accounting to these financial instruments. These instruments settled during the nine months ended May 31, 2007 for a gain of $567.

In connection with the Titan acquisition, we assumed a three year LIBOR interest rate swap with a notional amount of $125,000. The fair value of this swap as of May 31, 2007 and August 31, 2006 was a net asset of $170 and $519, respectively, and was recorded as a component of price risk management assets and liabilities in the condensed consolidated balance sheet. We elected to not apply hedge accounting to these financial instruments. Changes in the fair value of these instruments are recorded as other income on the condensed consolidated statements of operations.

We reclassified into earnings losses of $1,119 and $1,170 for the three and nine months ended May 31, 2007, respectively, related to interest rate swaps that were previously reported in OCI. Gains of $67 and $823 were reclassified into earnings for the three and nine months ended May 31, 2006 related to interest rate swaps

previously reported in OCI. We expect gains of $417 to be reclassified into earnings over the next twelve months related to income on interest rate financial instruments currently reported in OCI. The amount ultimately realized, however, will differ as interest rates change.

Summary of Derivative Gains and Losses

The following represents gains (losses) on derivative activity for the periods presented:

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2007	2006	2007	2006
Commodity-related				
Unrealized losses recognized in revenues and cost of products sold related to commodity-related derivative activity, excluding ineffectiveness	$(25,726)	$(46,317)	$ (9,841)	$ (8,508)
Ineffective portion of derivatives qualifying for hedge accounting	(1,240)	1,430	242	18,753
Realized gains included in revenues and cost of products sold	52,671	57,600	166,537	158,055
Interest rate swaps				
Unrealized gains on interest rate swaps included in other income (2007) and interest expense (2006), excluding ineffectiveness	$ 16,328	$ 9,304	$ 14,755	$ 9,153
Ineffective portion of derivatives qualifying for hedge accounting included in interest expense	(1,377)	75	(1,813)	846
Realized gains (losses) on interest rate swaps included in interest expense	346	(8)	1,483	127

Credit Risk

We maintain credit policies with regard to our counterparties that we believe significantly minimize our overall credit risk. These policies include an evaluation of potential counterparties' financial condition (including credit ratings), collateral requirements under certain circumstances and the use of standardized agreements which allow for netting of positive and negative exposure associated with a single counterparty.

Our counterparties consist primarily of financial institutions, major energy companies and local distribution companies. This concentration of counterparties may impact its overall exposure to credit risk, either positively or negatively in that the counterparties may be similarly affected by changes in economic, regulatory or other conditions. Based on our policies, exposures, credit and other reserves, management does not anticipate a material adverse effect on financial position or results of operations as a result of counterparty performance.

17. RELATED PARTY TRANSACTIONS:

On May 7, 2007, Ray Davis, Co-Chairman and Co-Chief Executive Officer of ETP, and Natural Gas Partners VI, L.P. ("NGP") and affiliates of each, sold approximately 38.9 million ETE Common Units (17.6% of the outstanding Common Units of ETE) to Enterprise GP Holdings, L.P. ("Enterprise" or "EPE"). In addition to the purchase of ETE Common Units, Enterprise also acquired a 34.9% non-controlling equity interest in the General Partner of ETE, LE GP, L.L.C. ("LE GP"). As a result of these transactions, EPE and its subsidiaries are considered related parties (see Note 15).

Between May 7, 2007 (the purchase date of ETE Units) and May 31, 2007, the Operating Partnerships have made the following purchases from Enterprise and its affiliates:

	Product	Volumes (in thousands)	Dollars
HOLP	Propane-gallons	2,879	$ 3,452
Titan	Propane-gallons	9,492	10,010
ETC OLP	Gas imbalances - MMBtu	185	1,905
Total			$15,367

Additionally, HOLP has a monthly storage contract with TEPPCO Partners, L.P. (an affiliate of Enterprise).

ETC OLP and Enterprise transport gas on each other's systems, share operating expenses on jointly-owned pipelines, and ETC OLP sells gas to Enterprise. As of May 31, 2007, ETC OLP has an accounts receivable balance of approximately $1,800, an accounts payable balance of approximately $200 and an imbalance payable to Enterprise of approximately $11,200.

As of May 31, 2007 and August 31, 2006, we had advances due from a propane joint venture of $11,769 and $3,775, respectively, which are included in intangibles and other long-term assets on our condensed consolidated balance sheets.

Our natural gas midstream and intrastate transportation and storage operations secure compression services from third parties including Energy Transfer Technologies, Ltd., of which Energy Transfer Group, LLC is the General Partner. These entities are collectively referred to as the "ETG Entities". Our Co-Chief Executive Officers have an indirect ownership in the ETG Entities. In addition, two of the General Partner's directors serve on the Board of Directors of the ETG Entities. The terms of each arrangement to provide compression services are, in the opinion of independent directors of the General Partner, no less favorable than those available from other providers of compression services. During the nine months ended May 31, 2007 and 2006, we made payments totaling $1,989 and $5,901, respectively, to the ETG Entities for compression services provided to and utilized in our natural gas midstream and intrastate transportation and storage operations. As of May 31, 2007 and August 31, 2006, accounts payable to ETG related to compressor leases were not significant.

18. SUMMARIZED CONDENSED CONSOLIDATING FINANCIAL STATEMENTS:

Our Revolving Credit Facility and Senior Notes are fully and unconditionally guaranteed by ETC OLP and Titan and all of their direct and indirect wholly-owned subsidiaries (the "Subsidiary Guarantors"). HOLP and its direct and indirect subsidiaries, Heritage Holdings, Inc. and Transwestern do not guarantee our Revolving Credit Facility and Senior Notes. The Subsidiary Guarantors jointly and severally guarantee, on an unsecured senior basis, our obligations under our Revolving Credit Facility and Senior Notes. Following are our unaudited condensed consolidating financial information including our midstream, interstate, and propane Subsidiary Guarantors, our Non-Guarantor Subsidiaries and the Partnership on a consolidated basis. The condensed consolidating financial information presented herein complies with Rule 3-10 of Regulation S-X, is prepared on the equity method, and does not contain related financial statement disclosures that would be required with a complete set of financial statements presented in conformity with GAAP.

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATING BALANCE SHEET
As of May 31, 2007
(In thousands)

	Parent	Midstream Guarantor Subsidiaries	Propane Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidation Adjustments	Consolidated
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$ 414	$ —	$ 13,950	$ 81,246	$ —	$ 95,610
Marketable securities	—	—	—	3,575	—	3,575
Accounts receivable, net	—	500,604	19,224	106,485	(974)	625,339
Inventories	—	246,470	11,090	40,316	—	297,876
Deposits paid to vendors	—	46,579	—	—	—	46,579
Exchanges receivable	—	27,639	—	12,906	—	40,545
Price risk management assets	15,733	9,999	212	—	—	25,944
Prepaid expenses and other	886,033	78,472	34,284	19,121	(977,908)	40,002
Total current assets	902,180	909,763	78,760	263,649	(978,882)	1,175,470
PROPERTY, PLANT AND EQUIPMENT, net	—	3,268,387	182,315	1,827,407	—	5,278,109
GOODWILL	—	23,736	258,586	434,121	—	716,443
LONG-TERM NOTES RECEIVABLE FROM RELATED PARTY	8,996	—	6,728	—	(15,724)	—
DEFERRED INCOME TAX	—	—	4,990	—	(4,990)	—
INTANGIBLES AND OTHER LONG-TERM ASSETS, net	5,011,563	35,951	68,815	394,478	(5,111,477)	399,330
Total assets	$5,922,739	$4,237,837	$ 600,194	$2,919,655	$ (6,111,073)	$ 7,569,352
LIABILITIES AND PARTNERS' CAPITAL						
CURRENT LIABILITIES:						
Accounts payable	$ 155	$ 525,166	$ 2,922	$ 57,167	$ (974)	$ 584,436
Exchanges payable	—	38,973	—	9,215	—	48,188
Customer advances and deposits	—	6,625	9,387	24,542	—	40,554
Accrued and other current liabilities	68,873	1,036,764	26,577	107,391	(977,908)	261,697
Price risk management liabilities	—	1,866	—	—	—	1,866
Current maturities of long-term debt	—	—	516	39,252	—	39,768
Total current liabilities	69,028	1,609,394	39,402	237,567	(978,882)	976,509
LONG-TERM DEBT, net of discount, less current maturities	2,680,364	—	694	745,550	—	3,426,608
LONG-TERM NOTES PAYABLE FROM RELATED PARTY	6,728	—	—	8,996	(15,724)	—
DEFERRED INCOME TAXES	—	50,579	—	54,892	(4,990)	100,481
OTHER NONCURRENT LIABILITIES	—	1,952	2,961	11,906	—	16,819
COMMITMENTS AND CONTINGENCIES						
	2,756,120	1,661,925	43,057	1,058,911	(999,596)	4,520,417
PARTNERS' CAPITAL	3,166,619	2,575,912	557,137	1,860,744	(5,111,477)	3,048,935
Total liabilities and partners' capital	$5,922,739	$4,237,837	$ 600,194	$2,919,655	$ (6,111,073)	$ 7,569,352

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATING BALANCE SHEET
As of August 31, 2006
(In thousands)

	Parent	Midstream Guarantor Subsidiaries	Propane Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidation Adjustments	Consolidated
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$ 728	$ —	$ 2,182	$ 23,131	$ —	$ 26,041
Marketable securities	—	—	—	2,817	—	2,817
Accounts receivable, net	—	570,569	18,154	86,822	—	675,545
Inventories	—	289,003	13,507	84,630	—	387,140
Deposits paid to vendors	—	87,806	—	—	—	87,806
Exchanges receivable	—	23,221	—	—	—	23,221
Price risk management assets	629	55,143	367	—	—	56,139
Prepaid expenses and other	399,813	41,426	24,511	12,888	(435,543)	43,095
Total current assets	401,170	1,067,168	58,721	210,288	(435,543)	1,301,804
PROPERTY, PLANT AND EQUIPMENT, net	—	2,596,015	201,893	515,741	—	3,313,649
GOODWILL	—	23,736	278,835	301,838	—	604,409
INTANGIBLES AND OTHER LONG-TERM ASSETS, net	3,848,223	38,864	79,612	229,686	(3,961,234)	235,151
Total assets	$4,249,393	$3,725,783	$ 619,061	$1,257,553	$ (4,396,777)	$ 5,455,013
LIABILITIES AND PARTNERS' CAPITAL						
CURRENT LIABILITIES:						
Accounts payable	$ 1,244	$ 522,191	$ 4,955	$ 74,750	$ —	$ 603,140
Exchanges payable	—	24,722	—	—	—	24,722
Customer advances and deposits	—	16,524	24,623	67,689	—	108,836
Accrued and other current liabilities	45,261	533,831	22,512	36,235	(435,543)	202,296
Price risk management liabilities	8,699	28,219	—	—	—	36,918
Current maturities of long-term debt	—	—	871	39,707	—	40,578
Total current liabilities	55,204	1,125,487	52,961	218,381	(435,543)	1,016,490
LONG-TERM DEBT, net of discount, less current maturities	2,330,281	—	679	258,164	—	2,589,124
DEFERRED INCOME TAXES	—	51,253	—	55,589	—	106,842
OTHER NONCURRENT LIABILITIES	—	3,838	—	1,857	—	5,695
COMMITMENTS AND CONTINGENCIES						
	2,385,485	1,180,578	53,640	533,991	(435,543)	3,718,151
PARTNERS' CAPITAL	1,863,908	2,545,205	565,421	723,562	(3,961,234)	1,736,862
Total liabilities and partners' capital	$4,249,393	$3,725,783	$ 619,061	$1,257,553	$ (4,396,777)	$ 5,455,013

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

For the three months ended May 31, 2007

(In thousands)

	Parent	Midstream Guarantor Subsidiaries	Propane Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidation Adjustments	Consolidated
REVENUES:						
Midstream and transportation and storage	$ —	$1,344,884	$ —	$ 61,714	$ —	$1,406,598
Propane and other	357	—	76,789	231,042	—	308,188
Total revenue	357	1,344,884	76,789	292,756	—	1,714,786
COSTS AND EXPENSES:						
Cost of products sold - midstream and transportation and storage	—	1,095,040	—	—	—	1,095,040
Cost of products sold - propane and other	—	—	44,092	148,255	—	192,347
Operating expenses	—	60,155	21,280	67,468	—	148,903
Depreciation and amortization	—	20,693	3,334	23,375	—	47,402
Selling, general and administrative	1,057	24,414	333	13,982	—	39,786
Total costs and expenses	1,057	1,200,302	69,039	253,080	—	1,523,478
OPERATING INCOME (LOSS)	(700)	144,582	7,750	39,676	—	191,308
OTHER INCOME (EXPENSE):						
Interest expense, net of interest capitalized	(44,527)	(5,551)	591	(12,191)	15,529	(46,149)
Equity in earnings (losses) of affiliates	172,648	544	—	296	(172,649)	839
Gain (loss) on disposal of assets	—	(2,770)	374	(104)	—	(2,500)
Interest and other income (expense), net	30,466	2,099	(3)	718	(15,529)	17,751
INCOME BEFORE INCOME TAX EXPENSE AND MINORITY INTERESTS	157,887	138,904	8,712	28,395	(172,649)	161,249
Income tax expense	421	2,039	89	1,011	—	3,560
INCOME BEFORE MINORITY INTERESTS	157,466	136,865	8,623	27,384	(172,649)	157,689
Minority interests	—	—	—	(223)	—	(223)
NET INCOME	$157,466	$ 136,865	$ 8,623	$ 27,161	$ (172,649)	$ 157,466

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

For the three months ended May 31, 2006

(In thousands)

	Parent	Midstream Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidation Adjustments	Consolidated
REVENUES:					
Midstream and transportation and storage	$ —	$1,211,549	$ —	$ —	$1,211,549
Propane and other	—	—	208,786	—	208,786
Total revenues	—	1,211,549	208,786	—	1,420,335
COSTS AND EXPENSES:					
Cost of products sold - midstream and transportation and storage	—	1,020,692	—	—	1,020,692
Cost of products sold - propane and other	—	—	126,675	—	126,675
Operating expenses	—	51,535	51,434	—	102,969
Depreciation and amortization	—	14,381	13,768	—	28,149
Selling, general and administrative	3,698	15,858	4,176	—	23,732
Total costs and expenses	3,698	1,102,466	196,053	—	1,302,217
OPERATING INCOME (LOSS)	(3,698)	109,083	12,733	—	118,118
OTHER INCOME (EXPENSE):					
Interest expense, net of interest capitalized	(10,754)	3,343	(6,733)	470	(13,674)
Equity in earnings (losses) of affiliates	126,074	(272)	122	(126,074)	(150)
Gain (loss) on disposal of assets	—	31	(9)	—	22
Interest and other income (expense), net	291	1,897	7,954	(470)	9,672
INCOME BEFORE INCOME TAX EXPENSE AND MINORITY INTERESTS	111,913	114,082	14,067	(126,074)	113,988
Income tax expense	1	773	1,207	—	1,981
INCOME BEFORE MINORITY INTERESTS	111,912	113,309	12,860	(126,074)	112,007
Minority interests	—	—	(95)	—	(95)
NET INCOME	$ 111,912	$ 113,309	$ 12,765	$ (126,074)	$ 111,912

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

For the nine months ended May 31, 2007

(In thousands)

	Parent	Midstream Guarantor Subsidiaries	Propane Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidation Adjustments	Consolidated
REVENUES:						
Midstream and transportation and storage	$ —	$3,842,008	$ —	$ 119,872	$ —	$3,961,880
Propane and other	357	—	311,896	891,578	—	1,203,831
Total revenue	357	3,842,008	311,896	1,011,450	—	5,165,711
COSTS AND EXPENSES:						
Cost of products sold - midstream and transportation and storage	—	3,117,732	—	—	—	3,117,732
Cost of products sold - propane and other	—	—	184,226	558,588	—	742,814
Operating expenses	—	158,087	67,112	189,894	—	415,093
Depreciation and amortization	—	55,187	9,291	62,093	—	126,571
Selling, general and administrative	4,286	65,188	2,735	33,780	—	105,989
Total costs and expenses	4,286	3,396,194	263,364	844,355	—	4,508,199
OPERATING INCOME (LOSS)	(3,929)	445,814	48,532	167,095	—	657,512
OTHER INCOME (EXPENSE):						
Interest expense, net of interest capitalized	(118,502)	(8,649)	(617)	(32,694)	32,079	(128,383)
Equity in earnings (losses) of affiliates	616,910	(219)	—	320	(611,799)	5,212
Gain (loss) on disposal of assets	—	(5,156)	—	1,371	—	(3,785)
Interest and other income, net	45,554	5,343	1,153	874	(32,079)	20,845
INCOME BEFORE INCOME TAX EXPENSE AND MINORITY INTERESTS	540,033	437,133	49,068	136,966	(611,799)	551,401
Income tax expense (benefit)	421	5,451	(1,265)	5,849	—	10,456
INCOME BEFORE MINORITY INTERESTS	539,612	431,682	50,333	131,117	(611,799)	540,945
Minority interests	—	—	—	(1,333)	—	(1,333)
NET INCOME	$ 539,612	$ 431,682	$ 50,333	$ 129,784	$ (611,799)	$ 539,612

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

For the nine months ended May 31, 2006

(In thousands)

	Parent	Midstream Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidation Adjustments	Consolidated
REVENUES:					
Midstream and transportation and storage	$ —	$5,503,385	$ —	$ —	$5,503,385
Propane and other	—	—	783,386	—	783,386
Total revenues	—	5,503,385	783,386	—	6,286,771
COSTS AND EXPENSES:					
Cost of products sold - midstream and transportation and storage	—	4,765,113	—	—	4,765,113
Cost of products sold - propane and other	—	—	481,712	—	481,712
Operating expenses	—	154,125	151,211	—	305,336
Depreciation and amortization	—	42,742	41,334	—	84,076
Selling, general and administrative	12,718	54,027	13,241	—	79,986
Total costs and expenses	12,718	5,016,007	687,498	—	5,716,223
OPERATING INCOME (LOSS)	(12,718)	487,378	95,888	—	570,548
OTHER INCOME (EXPENSE):					
Interest expense, net of interest capitalized	(53,822)	(849)	(22,515)	6,577	(70,609)
Equity in earnings (losses) of affiliates	543,165	(289)	(29)	(543,165)	(318)
Gain (loss) on disposal of assets	—	625	(69)	—	556
Interest and other income, net	5,881	5,835	7,794	(6,577)	12,933
INCOME BEFORE INCOME TAX EXPENSE AND MINORITY INTERESTS	482,506	492,700	81,069	(543,165)	513,110
Income tax expense	1	20,879	7,526	—	28,406
INCOME BEFORE MINORITY INTERESTS	482,505	471,821	73,543	(543,165)	484,704
Minority interests	—	(1,349)	(850)	—	(2,199)
NET INCOME	$482,505	$ 470,472	$ 72,693	$ (543,165)	$ 482,505

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

For the nine months ended May 31, 2007

(In thousands)

	Parent	Midstream Guarantor Subsidiaries	Propane Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidation Adjustments	Consolidated
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	$ 404,807	$ 743,550	$ 89,429	$ 154,410	$ (522,923)	$ 869,273
CASH FLOWS FROM INVESTING ACTIVITIES:						
Cash paid for acquisitions, net of cash acquired	(5,205)	(70,671)	(5,319)	(9,678)	3,386	(87,487)
Capital expenditures	—	(700,870)	(8,611)	(89,764)	—	(799,245)
Advances to and investment in affiliates	(1,051,237)	(90)	—	(35,467)	100,000	(986,794)
Proceeds from the sale of assets	—	9,812	2,698	8,279	—	20,789
Net cash used in investing activities	(1,056,442)	(761,819)	(11,232)	(126,630)	103,386	(1,852,737)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Proceeds from borrowings	2,868,310	—	798	400,649	—	3,269,757
Principal payments on debt	(2,515,822)	(16,261)	(665)	(447,061)	—	(2,979,809)
Proceeds from borrowings from affiliates	3,221,121	3,161,991	157,217	386,127	(6,926,456)	—
Payments on borrowings from affiliates	(3,676,665)	(2,731,519)	(164,269)	(354,003)	6,926,456	—
Net proceeds from issuance of Common Units	1,200,000	—	—	—	—	1,200,000
Capital contribution from General Partner	24,490	—	—	100,000	(100,000)	24,490
Distributions to parent	—	(395,942)	(59,510)	(58,108)	513,560	—
Distributions to partners	(461,180)	—	—	—	9,363	(451,817)
Debt issuance costs	(8,933)	—	—	(655)	—	(9,588)
Net cash provided by (used in) financing activities	651,321	18,269	(66,429)	26,949	422,923	1,053,033
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(314)	—	11,768	54,729	3,386	69,569
CASH AND CASH EQUIVALENTS, beginning of period	728	—	2,182	26,517	(3,386)	26,041
CASH AND CASH EQUIVALENTS, end of period	$ 414	$ —	$ 13,950	$ 81,246	$ —	$ 95,610

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
For the nine months ended May 31, 2006
(In thousands)

	Parent	Midstream Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidation Adjustments	Consolidated
NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (57,755)	$ 490,121	$ 95,429	$ —	$ 527,795
CASH FLOWS FROM INVESTING ACTIVITIES:					
Cash paid for acquisitions, net of cash acquired	—	(17,124)	(18,825)	—	(35,949)
Working capital settlement on prior year acquisitions	—	19,653	—	—	19,653
Capital invested in subsidiaries	(132,387)		—	132,387	—
Capital expenditures	—	(476,017)	(34,555)	—	(510,572)
Proceeds from the sale of assets	—	2,502	2,049	—	4,551
Net cash used in investing activities	(132,387)	(470,986)	(51,331)	132,387	(522,317)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from borrowings	1,388,251	—	196,806	—	1,585,057
Proceeds from short term borrowings from affiliates	1,128,579	1,245,649	—	(2,374,228)	—
Principal payments on debt	(1,208,605)	—	(278,095)	—	(1,486,700)
Principal payments received from affiliates	(1,245,649)	(1,128,579)	—	2,374,228	—
Distributions to parent	(7,314)	(193,630)	(40,104)	241,048	—
Distributions from subsidiaries	233,734	—	7,314	(241,048)	—
Debt issuance costs	(1,295)	—	—	—	(1,295)
Net proceeds from issuance of limited partner units	132,383	—	—	—	132,383
Capital contribution from General Partner	2,702	57,387	75,000	(132,387)	2,702
Unit distributions	(235,894)	—	—	—	(235,894)
Net cash provided by (used in) financing activities	186,892	(19,173)	(39,079)	(132,387)	(3,747)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,250)	(38)	5,019	—	1,731
CASH AND CASH EQUIVALENTS, beginning of period	3,810	38	21,066	—	24,914
CASH AND CASH EQUIVALENTS, end of period	$ 560	$ —	$ 26,085	$ —	$ 26,645

19. REPORTABLE SEGMENTS:

As of May 31, 2007, our financial statements reflect five reportable segments:

ETC OLP:

- midstream operations
- intrastate transportation and storage operations

ET Interstate:

- interstate transportation operations

HOLP and Titan:

- retail propane operations

HOLP:

- wholesale propane operations, including the operations of MP Energy Partnership

As of December 1, 2006, with the completion of our acquisition of Transwestern, we have a new reporting segment for our interstate transportation operations. As a result, the comparability of the segment operations information is affected by this addition. The volumes and results of operations data for the three months ended May 31, 2007 include the interstate operations for the entire period. However, the three and nine month volumes and results of operations do not include the interstate operations for periods prior to December 1, 2006.

Segments below the quantitative thresholds are classified as “other”. None of the components of the “other” segment have ever met any of the quantitative thresholds for determining reportable segments. Management has combined the domestic wholesale propane and foreign wholesale propane segments into one segment for all periods presented in this report. The combined segment is referred to as the wholesale propane segment.

Midstream and transportation and storage segment revenues and expenses include intersegment and intrasegment transactions, which are generally based on transactions made at market-related rates. Consolidated revenues and expenses reflect the elimination of all material intercompany transactions.

The midstream operations focus on the gathering, compression, treating, blending, processing, and marketing of natural gas, primarily on or through the Southeast Texas System, and marketing operations related to our producer services business. Revenue is primarily generated by the volumes of natural gas gathered, compressed, treated, processed, transported, purchased and sold through our pipelines (excluding the transportation pipelines) and gathering systems as well as the level of natural gas and NGL prices.

The intrastate transportation and storage operations focus on transporting natural gas through our Oasis Pipeline, ET Fuel System, East Texas Pipeline System, HPL System and Fort Worth Basin Pipeline. Revenue is typically generated from fees charged to customers to reserve firm capacity on or move gas through the pipeline on an interruptible basis. A monetary fee and/or fuel retention are also components of the fee structure. Excess fuel retained after consumption is typically valued at the first of the month published market prices and strategically sold when market prices are high. The intrastate transportation and storage operations also consist of the HPL System which generates revenue primarily from the sale of natural gas to electric utilities, independent power plants, local distribution companies, industrial end-users, and other marketing companies. The use of the Bammel storage reservoir allows us to purchase physical natural gas and then sell financial contracts at a price sufficient to cover its carrying costs and provide a gross profit margin. The HPL System also transports natural gas for a variety of third party customers.

The interstate transportation operations focus on natural gas transportation of Transwestern, which owns and operates approximately 2,400 miles of interstate natural gas pipeline system extending from Texas through the San Juan Basin to the California border. Transwestern is a major natural gas transporter to the California border and delivers natural gas from the east end of its system to Texas intrastate and Midwest markets. The revenues of this segment consist primarily of fees earned from natural gas transportation services and operational gas sales.

Our retail and wholesale propane segments sell products and services to retail and wholesale customers. Intersegment sales by the foreign wholesale segment to the domestic segment are priced in accordance with the partnership agreement of MP Energy Partnership. We manage our propane segments separately as each segment involves different distribution, sale, and marketing strategies.

We evaluate the performance of our operating segments based on operating income exclusive of general partnership selling, general, administrative expenses, gain (loss) on disposal of assets, minority interests, interest expense, earnings (losses) from equity investments and income tax expense (benefit). Certain overhead costs relating to a reportable segment have been allocated for purposes of calculating operating income. Effective with the Transwestern acquisition on December 1, 2006, we began allocating administration expenses to our operating partnerships. The amounts of such allocations for the three and nine months, respectively, ended May 31, 2007 were approximately $1,171 and $2,860 to midstream, $1,265 and $2,760 to interstate transportation and $2,232 and $4,721 to propane, for a total of approximately $4,668 and $10,341.

The following table presents the financial information by segment for the following periods:

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2007	2006	2007	2006
Volumes:				
Midstream				
Natural gas MMBtu/d - sold	1,042,641	1,216,424	948,242	1,423,414
NGLs bbls/d - sold	21,586	10,902	16,373	10,224
Transportation and storage				
Natural gas MMBtu/d – transported	6,752,447	4,797,307	5,540,393	4,500,308
Natural gas MMBtu/d – sold	1,204,609	1,303,033	1,388,337	1,572,451
Interstate transportation				
Natural gas MMBtu/d – transported	1,802,486	—	1,765,677	—
Natural gas MMBtu/d – sold	22,247	—	20,382	—
Propane gallons (in thousands)				
Retail	127,612	91,514	521,957	346,010
Wholesale	23,493	19,299	79,204	67,143
Total propane gallons	151,105	110,813	601,161	413,153

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2007	2006	2007	2006
Revenues:				
Midstream	$ 869,079	$ 789,966	$ 2,101,507	$ 3,544,821
Eliminations	(488,188)	(497,807)	(1,142,400)	(2,016,600)
Intrastate transportation and storage	963,993	919,390	2,882,901	3,975,164
Interstate transportation (see Note 3)	61,714	—	119,872	—
Retail propane and other propane related	276,445	185,272	1,101,239	699,450
Wholesale propane	30,746	21,461	98,992	78,361
Other	997	2,053	3,600	5,575
Total revenues	$1,714,786	$1,420,335	$ 5,165,711	$ 6,286,771
Cost of Sales:				
Midstream	$ 812,815	$ 745,162	$ 1,945,245	$ 3,342,588
Eliminations	(488,188)	(497,807)	(1,142,400)	(2,016,600)
Intrastate transportation and storage	770,413	773,337	2,314,887	3,439,125
Retail propane and other propane related	163,500	106,153	650,214	408,467
Wholesale propane	28,847	19,959	92,072	71,671
Other	—	563	528	1,574
Total cost of sales	$1,287,387	$1,147,367	$ 3,860,546	$ 5,246,825

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2007	2006	2007	2006
Depreciation and Amortization:				
Midstream	$ 6,226	$ 4,046	$ 16,410	$ 11,612
Intrastate transportation and storage	14,467	10,334	38,776	31,130
Interstate transportation	9,241	—	18,895	—
Retail propane and other propane related	17,306	13,491	51,835	40,445
Wholesale propane	162	173	530	579
Other	—	105	125	310
Total depreciation and amortization	$ 47,402	$ 28,149	$ 126,571	$ 84,076

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2007	2006	2007	2006
Operating Income (Loss):				
Midstream	$ 30,172	$ 27,225	$ 86,790	$148,089
Intrastate transportation and storage	114,410	81,859	359,025	339,289
Interstate transportation	33,789	—	67,901	—
Retail propane and other propane related	13,066	13,007	145,237	93,742
Wholesale propane	310	(442)	1,855	1,765
Other	652	172	1,025	391
Selling general and administrative expenses not allocated to segments	(1,091)	(3,703)	(4,321)	(12,728)
Total operating income	191,308	118,118	657,512	570,548
Other items not allocated by segment:				
Interest expense	(46,149)	(13,674)	(128,383)	(70,609)
Equity in earnings (losses) of affiliates	839	(150)	5,212	(318)
Gain (loss) on disposal of assets	(2,500)	22	(3,785)	556
Interest and other income, net	17,751	9,672	20,845	12,933
Income tax expense	(3,560)	(1,981)	(10,456)	(28,406)
Minority interests	(223)	(95)	(1,333)	(2,199)
	(33,842)	(6,206)	(117,900)	(88,043)
Net income	$157,466	$111,912	$ 539,612	$482,505

	Nine Months Ended May 31,	
	2007	2006
Additions to Property, Plant and Equipment including acquisitions (accrual basis):		
Midstream	$ 126,299	$ 16,737
Intrastate transportation and storage	653,708	475,165
Interstate transportation	1,305,242	—
Retail propane and other propane related	54,336	48,058
Wholesale propane	45	314
Other	1,004	3,981
Total	$2,140,634	$544,255

	May 31, 2007	August 31, 2006
Total Assets:		
Midstream	$ 748,665	$ 682,652
Intrastate transportation and storage	3,439,189	3,029,124
Interstate transportation	1,609,391	—
Retail propane and other propane related	1,609,458	1,619,732
Wholesale propane	24,889	39,816
Other	137,760	83,689
Total	$ 7,569,352	$ 5,455,013

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

(Tabular dollar amounts, except per unit data, are in thousands)

The following is a discussion of our historical consolidated financial condition and results of operations, and should be read in conjunction with our historical consolidated financial statements and accompanying notes thereto included elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended August 31, 2006 filed with the Securities and Exchange Commission on November 13, 2006. Our Management's Discussion and Analysis includes forward-looking statements that are subject to risk and uncertainties. Actual results may differ substantially from the statements we make in this section due to a number of factors.

Overview

Midstream and Intrastate Transportation and Storage Segments

Through ETC OLP, we own and operate intrastate natural gas gathering and transportation pipelines, natural gas treating and processing assets located in Texas, Louisiana and New Mexico, and three natural gas storage facilities located in Texas. These assets include approximately 12,200 miles of intrastate pipeline in service, with an additional 400 miles of intrastate pipeline under construction.

Our midstream segment results are derived primarily from margins we realize for natural gas volumes that are gathered, transported, purchased and sold through our pipeline systems, processed at our processing and treating facilities, and the volumes of NGLs processed at our facilities. We also market natural gas on our pipeline systems in addition to other pipeline systems to realize incremental revenue on gas purchased, increase pipeline utilization and provide other services that are valued by our customers. In addition and in accordance with our commodity risk management policy, we generate income from limited trading activities. Our trading activities include purchasing and selling natural gas and the use of financial instruments, including basis and gas daily contracts.

Our intrastate transportation and storage segment consists of natural gas gathering and intrastate transportation pipelines as well as three natural gas storage facilities with approximately 74 Bcf in storage capacity. The results from our transportation and storage segment are primarily derived from the fees we charge to transport natural gas on our pipelines, including a fuel retention component. We also generate revenues and margin from the sale of natural gas to electric utilities, independent power plants, local distribution companies, industrial end-users, and other marketing companies on the HPL System. Generally, HPL purchases its natural gas from either the market (including purchases from our midstream segment's producer services) and from producers at the wellhead. To the extent the natural gas comes from producers, it is purchased at a discount to a specified price and resold to customers at the index price.

We also utilize our Bammel storage reservoir to engage in natural gas storage transactions in which we seek to find and profit from pricing differences that occur over time. We purchase physical natural gas and then sell financial contracts at a price sufficient to cover our carrying costs and provide for a gross profit margin.

As a result of our trading activities and the use of derivative financial instruments that may not qualify for hedge accounting in our midstream and transportation and storage segments, the degree of earnings volatility that can occur may be significant, favorably or unfavorably, from period to period. We attempt to manage this volatility through the use of daily position and profit and loss reports provided to our risk management committee, which includes members of senior management, and predefined limits and authorizations set forth by our risk management policy as discussed in Note 16 in the accompanying condensed consolidated financial statements.

Interstate Transportation Segment

In connection with the acquisition of Transwestern on December 1, 2006, we also own 2,400 miles of interstate natural gas pipelines. The operating results for Transwestern are included in our results on a consolidated basis as of the acquisition date (December 1, 2006). Our Interstate Transportation Segment also includes our 50 percent interest in Midcontinent Express Pipeline ("MEP"), a joint development between Kinder Morgan Energy Partners, L.P. and ETP. As of, and for the period ended, May 31, 2007, the activity related to MEP was not material to our condensed consolidated results of operations, financial position or cash flows.

Transwestern is an open-access natural gas interstate pipeline extending approximately 2,400 miles from the gas producing regions of West Texas, eastern and northwest New Mexico, and southern Colorado primarily to pipeline interconnects off the east end of its system and to the California market. Transwestern has access to three significant gas basins: the Permian Basin in West Texas and eastern New Mexico; the San Juan Basin in northwest New Mexico and southern Colorado; and the Anadarko Basin in the Texas and Oklahoma panhandle.

Natural gas sources from the San Juan basin and surrounding producing areas can be delivered to connecting pipelines and natural gas market hubs in the east as well as markets to the west like California. Transwestern's customers include local distribution companies, producers, marketers, electric power generators and industrial end-users.

Transwestern earns the majority of its revenue by entering into firm transportation contracts, reserving capacity for customers to transport natural gas in its pipelines, whereby customers pay for the transportation capacity on a system regardless of whether it is utilized. It also earns variable revenue from charges assessed on each unit of transportation provided. In addition, to the extent that the gas retained by Transwestern for the operation of its pipeline system is not consumed in its systems' compressors, it is sold as operational gas when conditions warrant.

FERC regulates our interstate natural gas pipeline interests. Transwestern transports natural gas in interstate commerce. As a result, Transwestern qualifies as a "natural gas company" under the Natural Gas Act and is subject to the regulatory jurisdiction of FERC. In general, FERC has authority over natural gas companies that provide natural gas pipeline transportation services in interstate commerce, and its authority to regulate those services includes:

- rate structures;
- rates of return on equity;
- recovery of costs;
- the services that our regulated assets are permitted to perform;
- the acquisition, construction and disposition of assets; and
- to an extent, the level of competition in that regulated industry.

Under the Natural Gas Act, FERC has authority to regulate natural gas companies that provide natural gas pipeline transportation services in interstate commerce. Its authority to regulate those services includes the rates charged for the services, terms and conditions of service, certification and construction of new facilities, the extension or abandonment of services and facilities, the maintenance of accounts and records, the acquisition and disposition of facilities, the initiation and discontinuation of services, and various other matters. Natural gas companies may not charge rates that have not been determined to be just and reasonable by FERC. In addition, FERC prohibits natural gas companies from unduly preferring or unreasonably discriminating against any person with respect to pipeline rates or terms and conditions of service.

The rates, terms and conditions of service provided by natural gas companies are required to be on file with FERC in FERC-approved tariffs. Pursuant to FERC's jurisdiction over rates, existing rates may be challenged by complaint and proposed rate increases may be challenged by protest. We cannot assure you that FERC will continue to pursue its approach of pro-competitive policies as it considers matters such as pipeline rates and rules and policies that may affect rights of access to natural gas transportation capacity, transportation and storage facilities. Any successful complaint or protest against Transwestern's FERC-approved rates could have an adverse impact on our revenues associated with providing transmission services on Transwestern's pipelines.

Retail and Wholesale Propane Segments

Our propane related segments are operated by HOLP, Titan and their respective subsidiaries engaged in the sale, distribution and marketing of propane and other related products through their retail and wholesale segments, (the propane segments). HOLP and Titan derive their revenue primarily from the retail propane segment. We believe that we are the third largest retail propane marketer in the United States, based on retail gallons sold. We serve more than one million propane customers from 400 customer service locations extending from coast to coast.

The propane segments are margin-based businesses in which gross profits depend on the excess of sales price over propane supply cost. The market price of propane is often subject to volatile changes as a result of supply or other market conditions over which we have no control. Product supply contracts are generally one-year agreements

subject to annual renewal and generally permit suppliers to charge posted prices (plus transportation costs) at the time of delivery or the current prices established at major delivery points. Since rapid increases in the wholesale cost of propane may not be immediately passed on to retail customers, such increases could reduce gross profits. We generally have attempted to reduce price risk by purchasing propane on a short-term basis. We have on occasion purchased for future resale significant volumes of propane for storage during periods of low demand, which generally occur during the summer months, at the then current market price, both at our customer service locations and in major storage facilities. In particular, our propane business is largely seasonal and dependent upon weather conditions in our service areas.

Historically, approximately two-thirds of our retail propane volume and substantially all of our propane-related operating income is attributable to sales during the six-month peak-heating season of October through March. This generally results in higher operating revenues and net income in the propane segments during the period from October through March of each year, and lower operating revenues and either net losses or lower net income during the period from April through September of each year. Consequently, sales and operating profits for the propane segments are concentrated in our first and second fiscal quarters; however, cash flow from operations is generally greatest during our second and third fiscal quarters when customers pay for propane purchased during the six-month peak-heating season. Sales to industrial and agricultural customers are much less weather sensitive.

A substantial portion of our propane is used in the heating-sensitive residential and commercial markets causing the temperatures in our areas of operations, particularly during the six-month peak-heating season, to have a significant effect on the financial performance of our propane operations. In any given area, sustained warmer-than-normal temperatures will tend to result in reduced propane use, while sustained colder-than-normal temperatures will tend to result in greater propane use. We use information about normal temperatures to help us understand how temperatures that are colder or warmer than normal affect historical results of operations and in preparing forecasts related to our future operations.

The retail propane segment’s gross profit margins are not only affected by weather patterns, but also vary according to customer mix. Sales to residential customers generate higher margins than sales to certain other customer groups, such as commercial or agricultural customers. The wholesale propane segment’s margins are substantially lower than retail margins. In addition, propane gross profit margins vary by geographical region. Accordingly, a change in customer or geographic mix can affect propane gross profit without necessarily affecting total revenues.

Amounts discussed below reflect 100% of the results of MP Energy Partnership, a Canadian general partnership in which HOLP owns a 60% interest.

Trends and Outlook

We believe our natural gas operations are positioned to provide increasing operating results based on the current levels of contracted and expected capacity to be taken by our customers, our expansion activity completed during the fiscal 2007 period, additional capacity resulting from pipeline projects expected to be completed within the next twelve to eighteen months, and incremental earnings related to the recently acquired Transwestern operations.

We expect our propane-related segment to realize overall volume increases during fiscal year 2007 due to the effects of the Titan acquisition. However, continued warmer than normal weather will negatively impact volumes. We expect to be able to offset the impact of weather-related reduced volumes with reduced operating costs and improved gross margins to the extent our marketplace will allow it. We also plan to continue our active propane acquisition strategy and to expand our internal growth initiatives.

Recent Developments

Transwestern Pipeline. On November 1, 2006, pursuant to agreements entered into with GE Energy Financial Services (“GE”) and Southern Union Company (“Southern Union”), we acquired the member interests in CCE Holdings, LLC (“CCEH”) from GE and certain other investors for $1.0 billion. We financed a portion of the CCEH purchase price with the proceeds from our issuance of approximately 26.1 million Class G Units to Energy Transfer Equity, L.P. simultaneous with the closing on November 1, 2006. The member interests acquired represented a 50% ownership in CCEH.

On December 1, 2006, in a second and related transaction, CCEH redeemed ETP’s 50% interest ownership in CCEH in exchange for 100% ownership of Transwestern Pipeline Company, LLC which owns the Transwestern

Pipeline, a 2,400 mile interstate natural gas pipeline. Following the final step, Transwestern became a new operating subsidiary and separate segment of ETP. Our total acquisition cost for Transwestern, including assumed debt, was approximately $1.536 billion, including our basis of $956.3 million in CCEH (see Note 3 to the condensed consolidated financial statements).

Midcontinent Express Pipeline. On December 13, 2006, we announced that we had entered into an agreement with Kinder Morgan Energy Partners, L.P. for a 50/50 joint development of MEP. The approximately 500-mile interstate natural gas pipeline, which will originate near Bennington, Oklahoma, be routed through Perryville, Louisiana, and terminate at an interconnect with Transco in Butler, Alabama, will have an initial capacity of 1.4 Bcf per day. Pending necessary regulatory approvals, the approximately $1.3 billion pipeline project is expected to be in service by February 2009. MEP has prearranged binding commitments from multiple shippers for more than 800,000 dekatherms per day which includes a binding commitment from Chesapeake Energy Marketing, Inc., an affiliate of Chesapeake Energy Corporation, for 500,000 dekatherms per day. MEP has executed a firm capacity lease agreement for approximately 280,000 dekatherms per day of capacity on the Oklahoma intrastate pipeline system of Enogex, a subsidiary of OGE Energy, to provide transportation capacity from various locations in Oklahoma into and through MEP. The new pipeline will also interconnect with Natural Gas Pipeline Company of America, a wholly-owned subsidiary of Kinder Morgan, Inc., and with our Texoma pipeline near Paris, Texas.

42-inch Pipeline Project. On March 29, 2007 the Partnership announced the completion of the final phase of its 42-inch pipeline construction project. This final phase connects the Partnership's 36-inch North Texas Pipeline ("NTP"), the Partnership's Barnett Shale pipeline system, and the Partnership's Bethel Storage Facility to the Carthage Hub and other intrastate and interstate pipelines. This phase completes the previously announced 243 mile 42-inch pipeline project and provides the Partnership and its customers with over 1 Bcf of additional take-away capacity out of the Barnett Shale and Bossier Sands producing areas of Texas.

The completion of the 42-inch pipeline establishes the Partnership as the leader in the intrastate pipeline arena with connections to Texas' major marketing hubs including Katy, Waha, Carthage, Houston Ship Channel and Agua Dulce, as well as to the city gates of Texas' major cities, including Houston, San Antonio, Austin and Dallas-Ft. Worth. The 42-inch pipeline provides cities, Ship Channel markets, power plants and other consumers throughout the State with significantly greater access to the major producing regions in Texas including the Permian Basin, the Gulf Coast, the Barnett Shale, the Austin Chalk and the Bossier Sands. With this 42-inch completion, the Partnership is capable of providing producers in Texas with unprecedented market flexibility to access both intrastate and interstate pipelines.

The Partnership will begin construction this summer of its next previously announced 42-inch pipeline project, the Southeast Bossier 42-inch Expansion. This project consists of approximately 157 miles of predominately 42-inch pipe connecting the Partnership's 30-inch and 42-inch pipelines with the 30-inch Texoma line north of Beaumont. The Southeast Bossier 42-inch Expansion is expected to be completed by the 1st calendar quarter of 2008.

North Texas Gathering System. In December 2006 we purchased a natural gas gathering system in north Texas for $32 million. The purchase and sale agreement for the gathering system in north Texas also has a contingent payment not to exceed $21 million to be determined two years after the closing date. We will record the required adjustment to the purchase price allocation when the amount of the actual contingent consideration is determinable beyond a reasonable doubt. The gathering system consists of approximately 36 miles of pipeline and has an estimated capacity of 70 MMcf/d. We expect the gathering system will allow us to continue expanding in the Barnett Shale area of north Texas.

Rate Case. On September 29, 2006, Transwestern filed revised tariff sheets under section 4(e) of the Natural Gas Act (NGA) proposing a general rate increase to be effective on November 1, 2006. On March 9, 2007, Transwestern filed with the FERC its Stipulation and Agreement of Settlement (Stipulation and Agreement) which provides for (i) revised base tariff rates, (ii) the amortization of certain costs, including the Enron Cash Balance Plan, regulatory commission expense, post retirement benefits, the accumulated reserve adjustment regulatory asset, deferred income taxes, and certain non-PCB environmental costs, and (iii) a depreciation rate of 1.20 percent for all transmission plant facilities. On April 27, 2007, the FERC approved the Stipulation and Agreement with an effective date of April 1, 2007. Transwestern's tariff rates and fuel charges are now final for the period of the settlement. In addition, on June 26, 2007, the FERC approved the uncontested February 1, 2007 filed settlement, which settlement fully resolves all the issues set for technical conference by the October 31, 2006 Order, except for the gas quality specifications for Wobbe and Btu.

Retirement of Officer. On June 11, 2007, ETP and ETE jointly announced that Ray C. Davis, the Co-Chief Executive Officer and Co-Chairman of ETP, and Co-Chairman of ETE will retire from these positions following a transition period to transfer his duties to other members of the management team. Mr. Davis will continue to serve as a director of ETP and ETE. Kelcy L. Warren, currently the Co-Chief Executive Officer and Co-Chairman of ETP and Co-Chairman of ETE, will become the sole Chief Executive Officer and sole Chairman of ETP and the sole Chairman of ETE upon the effective date of Mr. Davis' retirement.

Analytical Analysis

The comparability of our condensed consolidated financial statements is affected by our 100% acquisition of Transwestern on December 1, 2006 and our purchases of 50% of CCEH in November 2006 and Titan in June 2006 (see Note 3 to our condensed consolidated financial statements). The comparability is also affected by natural gas prices, mainly in our producer services' revenues and natural gas sales on our HPL system. Excluding the impact from volumetric changes, our revenues in these areas are affected by changes in natural gas prices. Since we buy and sell natural gas primarily based on either first of month index prices, gas daily average prices or a combination of both, our revenues tend to be higher when natural gas prices are high and our revenues tend to be lower when natural gas prices are lower. However, a change in natural gas prices is only one of several elements that impact our overall margin. Other factors include, but are not limited to, volumetric changes, our hedging strategies and the use of financial instruments, fee-based revenues, trading activities, and basis differences between market hubs.

The acquisition of Transwestern resulted in a significant increase in our property, plant and equipment, intangible assets and goodwill from August 31, 2006 to May 31, 2007 (see Note 3 to the condensed consolidated financial statements). The increase from August 31, 2006 to May 31, 2007 in our long-term debt was also due to debt assumed in the Transwestern acquisition.

Operating Data

Comparative Results for the Three and Nine Months Ended May 31, 2007 and 2006

Volumes of natural gas sales, NGL sales including propane, and natural gas transported by our midstream, intrastate transportation and storage, interstate transportation, retail propane, and wholesale propane segments are as follows:

Midstream

	Three Months Ended May 31,		Increase (Decrease)	Nine Months Ended May 31,		Increase (Decrease)
	2007	2006		2007	2006	
Natural gas MMBtu/d	1,042,641	1,216,424	(173,783)	948,242	1,423,414	(475,172)
NGLs Bbls/d	21,586	10,902	10,684	16,373	10,224	6,149

- For the three months ended May 31, 2007, the decrease in natural gas volumes sold was principally due to less favorable market conditions during the fiscal 2007 period resulting in lower sales volumes conducted by our producer services' operations. Our NGL sales volumes vary due to our ability to by-pass our processing plants when conditions exist that make it less favorable to process and extract NGLs from our processing plants. The increase in NGL sales volumes is principally due to the completion of our Johnson County processing plants during the 2007 fiscal period and favorable market conditions to process and extract NGLs during the three months ended May 31, 2007 compared to the same period last year.

For the nine months ended May 31, 2007, the decrease in natural gas volumes sold was principally due to less favorable market conditions during the fiscal 2007 period resulting in lower sales volumes conducted by our producer services' operations. The increase in NGL sales volumes is principally due to the completion of our Johnson County processing plants in the 2007 fiscal period and favorable market conditions to process and extract NGLs during the 2007 fiscal period compared to the same period last year.

Intrastate Transportation and Storage

	Three Months Ended May 31,		Increase (Decrease)	Nine Months Ended May 31,		Increase (Decrease)
	2007	2006		2007	2006	
Natural gas MMBtu/d - transported	6,752,447	4,797,307	1,955,140	5,540,393	4,500,308	1,040,085
Natural gas MMBtu/d - sold	1,204,609	1,303,033	(98,424)	1,388,337	1,572,451	(184,114)

- For the three months ended May 31, 2007, transported natural gas volumes increased principally due to our continued efforts to secure long-term shipper contracts and the completion of the 42-inch pipeline project. The 42-inch pipeline was completed in three phases with phase I completed in August 2006, phase II completed in December 2006 and phase III completed in March 2007. We also experienced higher transportation volumes on our Oasis Pipeline during the 2007 period. Natural gas sales volumes on the HPL System for the three months ended May 31, 2007 decreased principally due to less volumes sold to east Texas markets as a result of lower price differentials and due to the new CenterPoint contract that commenced on April 1, 2007. Under the previous contract, we sold and delivered natural gas to CenterPoint for a bundled price. Under the terms of the new agreement, CenterPoint has contracted for 129 Bcf per year of firm transportation capacity combined with 10 Bcf of working gas capacity in our Bammel storage facility.

For the nine months ended May 31, 2007, transported natural gas volumes increased due to our continued efforts to secure more long-term shipper contracts and the completion of the 42-inch pipeline project. Natural gas sales volumes on the HPL System for the nine months ended May 31, 2007 decreased principally due to less volumes sold to east Texas markets as a result of lower price differentials and due to the new CenterPoint contract that commenced on April 1, 2007.

Interstate Transportation

	Three Months Ended May 31,			Nine Months Ended May 31,		
	2007	2006	Increase	2007	2006	Increase
Natural gas MMBtu/d - transported	1,802,486	—	1,802,486	1,765,677	—	1,765,677
Natural gas MMBtu/d - sold	22,247	—	22,247	20,382	—	20,382

The increase was due to the 100% acquisition of Transwestern on December 1, 2006.

Propane

	Three Months Ended May 31,			Nine Months Ended May 31,		
	2007	2006	Increase	2007	2006	Increase
Propane gallons sold (in thousands)						
Retail	127,612	91,514	36,098	521,957	346,010	175,947
Wholesale	23,493	19,299	4,194	79,204	67,143	12,061

Retail Propane. The retail propane operations continue to reflect significant increases in gallons sold in the three and nine months ended May 31, 2007 as compared to the three and nine months ended May 31, 2006 due to the Titan acquisition in June 2006. The combination of below normal degree days, customer conservation, and the slow down of new home construction in our propane markets has contributed to a decrease in expected volumes sold and hindered internal growth. The overall weather in our areas of operations during the three months ended May 31, 2007 was 14.9% warmer than the three months ended May 31, 2006 and 6.5% warmer than normal. Although the sales gallons during the latter part of our fiscal third quarter are less sensitive to the heating degree days, the year-to-date heating degree days have averaged 6.65% below normal which has negatively impacted our expected sales volumes by 8.2%.

Wholesale Propane. For the three months ended May 31, 2007, sales of wholesale propane gallons increased by 4.2 million gallons compared to the three months ended May 31, 2006. Our wholesale gallons sold through our U.S. operation remained flat while our wholesale gallons sold through our Canadian wholesale operations contributed to the 4.2 million gallon increase.

For the nine months ended May 31, 2007, wholesale propane gallons increased by 12.1 million gallons compared to the same period in 2006. Of this increase, 14.7 million is due to an increase in gallons sold in our Canadian wholesale operations related to increased marketing efforts, offset by a 2.6 million gallon decrease in our U.S. wholesale operations.

Results of Operations

Consolidated Results

	Three Months Ended May 31,			Nine Months Ended May 31,		
	2007	2006	Change	2007	2006	Change
Revenues	$1,714,786	$1,420,335	$294,451	$5,165,711	$6,286,771	$(1,121,060)
Cost of sales	1,287,387	1,147,367	140,020	3,860,546	5,246,825	(1,386,279)
Gross margin	427,399	272,968	154,431	1,305,165	1,039,946	265,219
Operating expenses	148,903	102,969	45,934	415,093	305,336	109,757
Selling, general and administrative	39,786	23,732	16,054	105,989	79,986	26,003
Depreciation and amortization	47,402	28,149	19,253	126,571	84,076	42,495
Consolidated operating income	191,308	118,118	73,190	657,512	570,548	86,964
Interest expense	(46,149)	(13,674)	(32,475)	(128,383)	(70,609)	(57,774)
Equity in earnings (losses) of affiliates	839	(150)	989	5,212	(318)	5,530
Gain (loss) on disposal of assets	(2,500)	22	(2,522)	(3,785)	556	(4,341)
Interest and other income, net	17,751	9,672	8,079	20,845	12,933	7,912
Income tax expense	(3,560)	(1,981)	(1,579)	(10,456)	(28,406)	17,950
Minority interests	(223)	(95)	(128)	(1,333)	(2,199)	866
Net income	$ 157,466	$ 111,912	$ 45,554	$ 539,612	$ 482,505	$ 57,107

See the detailed discussion of revenues, costs of sales, margin and operating expense by operating segment below.

Interest Expense. Of the increase in interest expense for the three months ended May 31, 2007 compared to the three months ended May 31, 2006, $21.2 million related to increased borrowings on the Partnership's Senior Notes and Revolving Credit Facility. Borrowings increased primarily due to the financing of our growth capital expenditures and the CCEH and Titan acquisitions. Debt assumed in the Transwestern acquisition resulted in $2.0 million of increased interest expense during the three months ended May 31, 2007. During the three months ended May 31, 2006, gains of $9.3 million related to interest rate swaps were recorded as a reduction to interest expense. Such gains were not recognized in interest expense in the three months ended May 31, 2007; rather, such gains are included in other income in fiscal 2007. Interest expense also increased due to $1.4 million of hedge ineffectiveness charges during fiscal 2007. The increase was partially offset by propane related interest which decreased $1.5 million due primarily to the scheduled debt payments that have occurred between the three month periods.

The increase in interest expense for the nine months ended May 31, 2007 compared to the nine months ended May 31, 2006, was principally due to a net $42.7 million increase in interest expense related to increased borrowings on the Partnership's Senior Notes and Revolving Credit Facility and the effect of the May 31, 2006 gains of $9.2 million on interest rate swaps, as described above. Debt assumed in the Transwestern acquisition represents $7.1 million of the increased interest expense. Hedge ineffectiveness charges increased interest expense by $1.8 million in fiscal 2007, compared to gains of $0.8 million in fiscal 2006. Propane related interest decreased $3.7 million due primarily to the scheduled debt payments that have occurred between the nine month periods.

Equity in Earnings of Affiliates. The increase in equity in earnings of affiliates for the nine months ended May 31, 2007 compared to the nine months ended May 31, 2006 was due primarily to $5.1 million of equity income from our 50% ownership of CCEH for the month of November 2006. We did not have an investment in CCEH last year. We redeemed our investment in CCEH in connection with our Transwestern acquisition.

Gain (Loss) on Disposal of Assets. The loss on disposal of assets reflected in the three months ended May 31, 2007 was principally due to losses resulting from the sale of a compressor station.

Interest and Other Income, net. The increase in interest and other income in the three and nine month periods ended May 31, 2007 is due primarily to gains on interest rate swaps that are not accounted for as hedges. Such gains were included in interest expense in fiscal 2006.

Income Tax Expense. As a partnership, we are not subject to income taxes. However, certain wholly-owned subsidiaries are corporations that are subject to income taxes. The increase in income tax expense for the three months ended May 31, 2007 was primarily related to the Texas margin tax that was not effective until January 1, 2007. The decreased expense for the nine months ended May 31, 2007 was attributed principally to higher income from trading gains recognized by a taxable subsidiary during the periods ended May 31, 2006, than was realized by such subsidiary in the current periods. The decrease was partially offset by the Texas margin tax in the period subsequent to January 1, 2007.

Three and Nine Month Operating Results by Segment

Midstream

	Three Months Ended May 31,			Nine Months Ended May 31,		
	2007	2006	Change	2007	2006	Change
Revenues	$869,079	$789,966	$79,113	$2,101,507	$3,544,821	$ (1,443,314)
Cost of sales	812,815	745,162	67,653	1,945,245	3,342,588	(1,397,343)
Gross margin	56,264	44,804	11,460	156,262	202,233	(45,971)
Operating expenses	10,797	8,089	2,708	28,590	22,431	6,159
Selling, general and administrative	9,069	5,444	3,625	24,472	20,101	4,371
Depreciation and amortization	6,226	4,046	2,180	16,410	11,612	4,798
Segment operating income	$ 30,172	$ 27,225	$ 2,947	$ 86,790	$ 148,089	$ (61,299)

Gross Margin. For the three months ended May 31, 2007, midstream's gross margin increased $11.5 million as a result of the following factors:

- Increase in processing margin and fee-based revenue from our gathering assets. The increase was due to incremental volumes from the completion of our Johnson County plant in the first quarter of 2007, the acquisition of three natural gas gathering systems during the first six months of the 2007 fiscal year, and favorable processing conditions during the third fiscal quarter of 2007 compared to the same period last year at our Southeast Texas processing plant.
- Increase in non-trading margin from our marketing activities of $4.2 million. Despite lower volumes by our producer services' operations, margins were higher due to more favorable market conditions in the three months ended May 31, 2007 compared to the same period last year.
- Decrease in net trading revenues of $8.1 million principally due to less favorable results on positions entered into during the three months ended May 31, 2007 compared to the same period last year.

For the nine months ended May 31, 2007, midstream's gross margin decreased by $46.0 million primarily due to the following factors:

- Decrease in net trading revenues of $56.7 million. During the fiscal 2006 period, we recognized trading gains resulting from market anomalies created by the hurricanes that struck the Texas and Louisiana coasts in August and September 2005. There were no significant weather anomalies during the nine months ended May 31, 2007.
- Decrease in non-trading margin from our marketing activities of $25.9 million. Market conditions, including lower basis differentials between the west and east Texas markets, resulted in lower sales volumes conducted by our producer services' operations.
- Increase in processing margin and fee-based revenue. The increase was due to the completion of our Johnson County plant in the first quarter of 2007, the acquisition of three gathering systems during the fiscal 2007 period, and favorable processing conditions during the fiscal 2007 period compared to the same period last year at our Southeast Texas processing plant.

Operating Expenses. Midstream operating expenses increased $2.7 million for the three months ended May 31, 2007 compared to the same period ended May 31, 2006. The increase was primarily driven by increased compressor rentals of $1.1 million, increased pipeline and compressor maintenance of $0.8 million, and increased electricity costs of $0.5 million. The increases were primarily driven by the Johnson County plant addition and the acquisition of three gathering systems during the first six months of the fiscal 2007 period.

Midstream operating expenses increased $6.2 million for the nine months ended May 31, 2007 compared to the same period ended May 31, 2006. The increase was primarily driven by increased compressor rental expense of $2.7 million, increased pipeline and compressor maintenance of $1.8 million and increased employee-related costs, such as salaries, incentive compensation and healthcare costs, of $1.2 million. The increases were primarily driven by the Johnson County plant addition and the acquisition of three gathering systems during the first six months of the fiscal 2007 period.

Selling, General and Administrative Expenses. Midstream selling, general and administrative expenses for the three months ended May 31, 2007 increased $3.6 million compared to the three months ended May 31, 2006. The increase was attributable to $3.8 million of legal costs associated with the regulatory inquiries. There also was a $4.9 million increase in employee-related costs such as salaries, incentive compensation and healthcare costs. These increases were offset by a $0.5 million increase in overhead costs capitalized to capital expansion projects and a $4.8 million decrease due to more corporate overhead being allocated to the transportation segment. The allocation of departmental costs is based on factors such as headcount, number of meters, payroll, margin and on-going projects and is intended to fairly present the segment's operating results.

Midstream general and administrative expenses for the nine months ended May 31, 2007 increased $4.4 million compared to the nine months ended May 31, 2006. The increase was attributable to $8.6 million of legal costs associated with regulatory inquiries, a $1.9 million allocation of administrative expenses for overhead costs which previously had not been allocated, and increases of $6.1 million in employee-related costs such as salaries, incentive compensation and healthcare costs. The increase was offset by increases of $6.7 million in departmental costs allocated to the transportation and storage operating segment, an increase of $1.8 million in overhead costs capitalized to capital expansion projects, and a one-time $0.9 million reimbursement of administrative costs related to the North Side Loop pipeline project from the project partner.

Depreciation and Amortization. Midstream depreciation and amortization expense increased $2.2 million for the three months ended May 31, 2007 compared to the same three month period in 2006 principally due to plant and equipment placed into service subsequent to May 31, 2006, the completion of our Johnson County plant in the first fiscal quarter of 2007, and the acquisitions of three gathering systems in the first and second fiscal quarters of 2007.

The increase of $4.8 million for the nine months ended May 31, 2007 compared to the same nine month period in 2006 is principally due to plant and equipment placed into service subsequent to May 31, 2006, the completion of our Johnson County plant in the first fiscal quarter of 2007, and the acquisitions of three gathering systems in the first and second fiscal quarters of 2007.

Intrastate Transportation and Storage

	Three Months Ended May 31,			Nine Months Ended May 31,		
	2007	2006	Change	2007	2006	Change
Revenues	$963,993	$919,390	$44,603	$2,882,901	$3,975,164	$(1,092,263)
Cost of sales	770,413	773,337	(2,924)	2,314,887	3,439,125	(1,124,238)
Gross margin	193,580	146,053	47,527	568,014	536,039	31,975
Operating expenses	49,358	43,445	5,913	129,497	131,694	(2,197)
Selling, general and administrative	15,345	10,415	4,930	40,716	33,926	6,790
Depreciation and amortization	14,467	10,334	4,133	38,776	31,130	7,646
Segment operating income	$ 114,410	$ 81,859	$32,551	$ 359,025	$ 339,289	$ 19,736

Gross Margin. For the three months ended May 31, 2007 as compared to three months ended May 31, 2006, intrastate transportation and storage gross margin increased by $47.5 million, principally due to the net effect of the following:

- Volumes. Overall volumes on our transportation pipelines were higher during the third fiscal quarter compared to the same period last year due to the completion of the final phase of the 42-inch pipeline in March 2007, continued efforts to secure long-term shipper contracts, and the completion of various growth projects during 2007.

- Higher natural gas prices. Excluding the impact of volumetric changes, our fuel retention fees are directly impacted by changes in natural gas prices. Increases in natural gas prices tend to increase our fuel retention fees and decreases in natural gas prices tend to decrease our fuel retention fees. Our average natural gas prices for retained fuel increased from a range of $5.00 to $6.00/MMBtu during the three months ended May 31, 2006 to $6.00 to $7.00/MMBtu during the same period this year.
- Increase in storage margin. The increase was due to the recognition of gains from the discontinuation of hedge accounting resulting from our determination that originally forecasted sales of natural gas from the Partnership's Bammel storage facility were no longer probable to occur by the specified time period, or within an additional two-month time period thereafter. As a result, we recognized previously deferred unrealized gains of approximately $19.3 million during the three months ended May 31, 2007. There were no such gains recognized during the three months ended May 31, 2006.
- We recognized revenue of $10.8 million and $14.7 million during the three months ended May 31, 2007 and 2006, respectively, related to a transportation contract with a major customer on our ET Fuel System. In connection with our acquisition of the ET Fuel System in June 2004, we entered into an eight year transportation agreement with TXU Portfolio Management Company, LP ("TXU Shipper") to transport a minimum of 115,600 MMBtu per year, reduced to 100,000 MMBtu per year beginning in January 2006. As of May 31, 2007 and 2006, respectively, we were entitled to receive additional fees for the difference between actual volumes transported by TXU Shipper on the ET Fuel System and the minimum amount as stated above during the twelve-month period ended May 31, 2007 and 2006.

For the nine months ended May 31, 2007 as compared to the nine months ended May 31, 2006, intrastate transportation and storage gross margin increased by $32.0 million, principally due to the net effect of the following:

- Volumes. Overall volumes on our transportation pipelines were higher during the 2007 fiscal period compared to the same period last year due to the completion of the 42-inch pipeline, continued efforts to secure long-term shipper contracts, and a colder winter in fiscal 2007.
- Lower natural gas prices. Excluding the impact of volumetric changes, our fuel retention fees are directly impacted by changes in natural gas prices. Increases in natural gas prices tend to increase our fuel retention fees and decreases in natural gas prices tend to decrease our fuel retention fees. Our average natural gas prices for retained fuel decreased from a range of $7.00 to $12.00/MMBtu during the nine months ended May 31, 2006 to $4.00 to $7.00/MMBtu during the same period this year resulting in lower revenue by $36.0 million.
- Increase in storage margin of $53.9 million. The increase was due to $31.4 million recognized on 7.5 Bcf more volume withdrawn from our Bammel storage facility than in 2006 and a significant loss on settled derivatives during the fiscal 2006 period. These increases were offset by a $47.5 million decrease in gains from the discontinuation of hedge accounting and approximately $18.0 million in margin on gas sold from our Bammel facility and delivered to a customer in September 2005. There were no similar sales during the nine months ended May 31, 2007.
- Decrease in margin of $21.7 million related to well head volumes. As discussed above, we purchase natural gas from producers at a discount to a specified price and resell to customers at an index price. We experienced lower volumes and lower natural gas prices during the nine months ended May 31, 2007 compared to the same period last year.

Operating Expenses. Intrastate transportation and storage operating expenses increased $5.9 million when comparing the three months ended May 31, 2007 to the corresponding three month period in 2006. The increase was primarily attributable to an increase of $4.7 million in compressor and pipeline maintenance and $1.3 million in electric utilities costs. These increases are due to ongoing pipeline integrity projects as well as increased compression requirements due to the growth of the transportation assets.

Intrastate transportation and storage operating expenses decreased $2.2 million when comparing the nine months ended May 31, 2007 to the same prior period ended May 31, 2006. The decrease was principally attributable to a decrease of $18.6 million in fuel consumption offset by increases of $10.7 million in pipeline and compressor maintenance and compressor rentals, $3.9 million in property taxes, and $1.6 million in employee-related costs such as salaries, incentive compensation and healthcare costs.

Selling, General and Administrative Expenses. Intrastate transportation and storage selling, general and administrative expenses increased $4.9 million for the three months ended May 31, 2007 compared to the three months ended May 31, 2006 principally due to an increase in certain departmental costs allocated from the midstream segment. The increase in allocated departmental costs is primarily due to the significance of the operations added to the intrastate transportation segment from the various construction projects completed.

Intrastate transportation and storage general and administrative expenses increased $6.8 million for the nine months ended May 31, 2007 compared to the nine months ended May 31, 2006 principally due to an increase in certain departmental costs allocated from the midstream segment. The increase in allocated departmental costs is primarily due to the significance of the operations added to the intrastate transportation segment from the various construction projects.

Depreciation and Amortization. Intrastate transportation and storage depreciation and amortization expense increased $4.1 million for the three months ended May 31, 2007 compared to the three months ended May 31, 2006, principally due to plant and equipment placed into service subsequent to May 31, 2006.

Intrastate transportation and storage depreciation and amortization expense increased $7.6 million from the nine months ended May 31, 2006 to the nine months ended May 31, 2007. The increase was principally due to plant and equipment placed into service subsequent to May 31, 2006 offset by $1.1 million of depreciation expense recorded in the second fiscal quarter of 2006 for a purchase price allocation related to HPL.

Interstate Transportation

	Three Months Ended May 31,			Nine Months Ended May 31,		
	2007	2006	Change	2007	2006	Change
Revenues	$ 61,714	$ —	$61,714	$ 119,872	$ —	$119,872
Operating expenses	13,159	—	13,159	21,680	—	21,680
Selling, general and administrative	5,525	—	5,525	11,396	—	11,396
Depreciation and amortization	9,241	—	9,241	18,895	—	18,895
Segment operating income	$ 33,789	$ —	$33,789	$ 67,901	$ —	$ 67,901

The increase in all categories was due to the acquisition of 100% of Transwestern on December 1, 2006.

Retail Propane

	Three Months Ended May 31,			Nine Months Ended May 31,		
	2007	2006	Change	2007	2006	Change
Retail propane revenues	$ 252,584	$ 168,767	$ 83,817	$ 1,017,926	$ 643,187	$ 374,739
Other propane related revenues	23,861	16,505	7,356	83,313	56,263	27,050
Retail propane cost of sales	158,167	101,889	56,278	630,420	392,950	237,470
Other propane related cost of sales	5,333	4,264	1,069	19,794	15,517	4,277
Gross margin	112,945	79,119	33,826	451,025	290,983	160,042
Operating expenses	74,425	48,957	25,468	230,759	145,043	85,716
Selling, general and administrative	8,148	3,664	4,484	23,194	11,753	11,441
Depreciation and amortization	17,306	13,491	3,815	51,835	40,445	11,390
Segment operating income	$ 13,066	$ 13,007	$ 59	$ 145,237	$ 93,742	$ 51,495

Revenues. Retail fuel revenues for the three and nine months ended May 31, 2007 mainly increased in relation to the increased volumes from the Titan acquisition described above and, to a lesser extent, other propane acquisitions and higher selling prices over the same period last year. Other propane related revenues increased $7.4 million and $27.1 million for the three and nine months ended May 31, 2007, respectively as compared to the same periods for fiscal 2006 due to the Titan acquisition in June, 2006 and other propane acquisitions and enhanced fee generating programs in servicing customers.

Costs of Sales. During the three and nine months ended May 31, 2007 compared to the three and nine months ended May 31, 2006, retail propane cost of sales increased by $56.3 million and $237.5 million, respectively, which is mainly the result of an overall increase in cost of sales related to the gallons sold by customer service locations added through the Titan acquisition. Cost of sales also increased in relation to other increased volumes as described above, and, to a lesser extent, increases in the cost of fuel for the three and nine month periods ended May 31, 2007 as compared to the same periods for May 31, 2006.

Gross Margin. The overall increase in gross margin for the three and nine-month comparable periods ended May 31, 2007 and 2006 is primarily related to the Titan acquisition in June 2006. The propane margin remained strong during the three and nine months ended May 31, 2007 during the periods of warmer weather and higher fuel prices. Optimization of the margins is influenced by market opportunities, independent competitors and concerns for long term retention of customers.

Operating Expenses. During the three and nine months ended May 31, 2007, operating expenses increased by $25.5 million and $85.7 million, respectively, compared to the same three and nine-month periods last year. These increases were mainly due to a $21.3 million and $67.1 million increase for the three and nine months ended May 31, 2007, respectively, directly due to the identifiable Titan operations. Other increases in operating expenses relate to higher vehicle fuel costs and other vehicle expenses, and general increases in other operating expenses including safety training costs of the newly acquired employees from the Titan acquisition, and other acquisition costs related to blends and mergers of propane locations to gain forward synergies and cost savings.

Selling, General and Administrative Expenses. The increase in selling, general and administrative expenses for the comparable three and nine-month periods of May 31, 2007 and 2006 is primarily due to increases from administrative expense allocations, increases in administrative bonuses, salaries and deferred compensation expense related to increases in staffing and additional restricted unit awards outstanding and the addition of administrative employees from the Titan acquisition. The increase also includes increases in our IT costs as we continue to enhance our current infrastructure for our administrative and propane systems. Effective with the Transwestern acquisition in December 2006, an allocation of administrative expenses is now made to the operating partnerships, which increased the retail propane selling, general and administrative expenses by $2.2 million and $4.7 million for the three and nine months ended May 31, 2007, respectively.

Depreciation and Amortization Expense. The increase in depreciation and amortization expense for the three and nine months ended May 31, 2007 as compared to 2006 is due primarily to the acquisition of Titan on June 1, 2006.

Wholesale Propane

	Three Months Ended May 31,			Nine Months Ended May 31,		
	2007	2006	Change	2007	2006	Change
Revenues	$30,746	$21,461	$9,285	$98,992	$78,361	$20,631
Cost of sales	28,847	19,959	8,888	92,072	71,671	20,401
Gross margin	1,899	1,502	397	6,920	6,690	230
Operating expenses	819	1,265	(446)	2,645	2,868	(223)
Selling, general and administrative	608	506	102	1,890	1,478	412
Depreciation and amortization	162	173	(11)	530	579	(49)
Segment operating income (loss)	$ 310	$ (442)	$ 752	$ 1,855	$ 1,765	$ 90

Revenues. Of the $9.3 million increase in wholesale revenue for the three months ended May 31, 2007 compared to the same three months in 2006, $8.7 million is related to the increase in gallons sold to new customers of our Canadian operations and the increased selling prices in that area.

Of the increase of $20.6 million in wholesale revenue from the nine months ended May 31, 2007 compared to the same nine-month period last year, $23.9 million is related to the increase in gallons sold to new customers of our Canadian operations and the increased selling prices in that area, offset by a decrease of $3.3 million in our U.S. wholesale operations.

Costs of Sales. For the three and nine months ended May 31, 2007 compared to the corresponding three and nine months ended May 31, 2006, total cost of sales increased by $8.9 million and $20.4 million, respectively. Foreign wholesale cost of sales increased $8.3 million and $22.3 million for the three and nine months ended May 31, 2007 due to the increased volumes sold and to a lesser extent due to the increase in fuel cost per gallon sold. U.S. wholesale cost of sales increased $0.6 million and decreased $1.9 million for the three and nine months ended May 31, 2007 as compared to the three and nine months ended May 31, 2006.

Gross Margin. The overall gross margin in the wholesale operations for the three and nine months ended May 31, 2007 as compared to the three and nine months ended May 31, 2006 remained effectively unchanged. Wholesale operations normally are a low margin segment in which increases in the cost of fuel cannot always be passed to a customer due to predetermined sales contracts.

Other

	Three Months Ended May 31,			Nine Months Ended May 31,		
	2007	2006	Change	2007	2006	Change
Revenues	$ 997	$ 2,053	$(1,056)	$3,600	$ 5,575	$(1,975)
Cost of sales	—	563	(563)	528	1,574	(1,046)
Operating expenses	345	1,213	(868)	1,922	3,300	(1,378)
Depreciation and amortization	—	105	(105)	125	310	(185)
Other operating income	$ 652	$ 172	$ 480	$1,025	$ 391	$ 634
Unallocated selling, general and administrative expenses	$ 1,091	$ 3,703	$(2,612)	$4,321	$12,728	$(8,407)

Unallocated Selling, General and Administrative Expenses. Selling, general and administrative expenses that relate to the administration and general operations of the Partnership were, prior to December 2006, not allocated to our segments. In conjunction with the Transwestern acquisition, selling, general and administrative expenses are now allocated to the operating partnerships. For the three and nine months ended May 31, 2007, a net $4.7 million and $10.3 million was allocated to the operating partnerships, which constituted the decrease in total unallocated selling general and administrative expenses from the three and nine-month periods ended May 31, 2006. The decrease in the unallocated selling, general and administrative expenses due to the allocations now in place to the operating partnerships, is offset by increases in expenses primarily related to management incentive plans.

Income Taxes

As a Partnership we generally are not subject to income tax. We are, however, subject to a statutory requirement that our non-qualifying income (including income such as derivative gains from trading activities, service income, tank rentals and others) cannot exceed 10% of our total gross income, determined on a calendar year basis under the applicable income tax provisions. If the amount of our non-qualifying income exceeds this statutory limit, we would be taxed as a corporation. Accordingly, certain activities that generate non-qualified income are conducted through taxable corporate subsidiaries (“C corporations”). These C corporations are subject to federal and state income tax and pay the income taxes related to the results of their operations. For the three and nine months ended May 31, 2007 and 2006, our non-qualifying income was not expected to, or did not, exceed the statutory limit.

The difference between the statutory rate and the effective rate is summarized as follows:

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2007	2006	2007	2006
Federal statutory tax rate	35.0%	35.0%	35.0%	35.0%
State income tax rate net of federal benefit	2.1%	2.9%	1.1%	3.1%
Earnings not subject to tax at the Partnership level	(34.9%)	(36.2%)	(34.2%)	(32.6%)
Effective tax rate	2.2%	1.7%	1.9%	5.5%

Income tax expense consists of the following current and deferred amounts:

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2007	2006	2007	2006
Current provision (benefit):				
Federal	$ 492	$ (2,111)	$ 6,979	$26,006
State	3,462	479	6,288	1,767
	3,954	(1,632)	13,267	27,773
Deferred provision (benefit):				
Federal	(394)	3,603	(2,572)	978
State	—	10	(239)	(345)
	(394)	3,613	(2,811)	633
Total	$3,560	$ 1,981	$10,456	$28,406

We do not expect our tax payments in any year to differ significantly from our current tax provisions.

A consolidated subsidiary acquired in the Titan acquisition has net operating loss carry forwards of approximately $13.0 million, which carry forwards expire at varying times through December 31, 2026. We established a deferred tax asset of approximately $4.0 million in the Titan purchase price allocation for loss carry forwards as of the date of acquisition.

On May 18, 2006, the State of Texas enacted House Bill 3 which replaced the existing state franchise tax with a “margin tax”. In general, legal entities that conduct business in Texas are subject to the Texas margin tax, including previously non-taxable entities such as limited partnerships and limited liability partnerships. The tax is assessed on Texas sourced taxable margin which is defined as the lesser of (i) 70% of total revenue or (ii) total revenue less (a) cost of goods sold or (b) compensation and benefits. Although the bill states that the margin tax is not an income tax, it has the characteristics of an income tax since it is determined by applying a tax rate to a base that considers both revenues and expenses. Therefore, we have accounted for Texas margin tax as income tax expense in the period subsequent to the law’s effective date of January 1, 2007. For the three and nine months ended May 31, 2007, we recognized current state income tax expense related to the Texas margin tax of $2.8 million and $4.7 million, respectively. There is no comparable state tax expense for the periods ended May 31, 2006.

Liquidity and Capital Resources

Our ability to satisfy our obligations and pay distributions to our partners will depend on our future performance, which will be subject to prevailing economic, financial, business and weather conditions, and other factors, many of which are beyond management’s control.

Future capital requirements will generally consist of:

- maintenance capital expenditures, which include capital expenditures made to connect additional wells to our natural gas systems in order to maintain or increase throughput on existing assets for which we expect to expend approximately $21.4 million for the remainder of the fiscal year and capital expenditures to extend the useful lives of our propane assets in order to sustain our operations, including vehicle replacements on our propane vehicle fleet, for which we expect to expend approximately $5.0 million for the remainder of the fiscal year;
- growth capital expenditures, mainly for constructing new pipelines, processing plants and treating plants for which we expect to expend approximately $380.4 million for the remainder of the fiscal year, including $141.3 million related to Transwestern; and customer propane tanks for which we expect to expend approximately $3.0 million for the remainder of the fiscal year; and
- acquisition capital expenditures including acquisition of new pipeline systems and propane operations.

We believe that cash generated from the operations of our businesses will be sufficient to meet anticipated maintenance capital expenditures. We will initially finance all capital requirements by cash flows from operating activities. To the extent that our future capital requirements exceed cash flows from operating activities:

- maintenance capital expenditures may be financed by the proceeds of borrowings under the existing credit facilities described below, which will be repaid by subsequent seasonal reductions in inventory and accounts receivable;

- growth capital expenditures may be financed by the proceeds of borrowings under the existing credit facilities and the issuance of additional Common Units or a combination thereof; and
- acquisition capital expenditures may be financed by the proceeds of borrowings under the existing credit facilities, other lines of credit, long-term debt, the issuance of additional Common Units or a combination thereof.

On October 3, 2006, we entered into long-term agreements with CenterPoint Energy Resources Corp. ("CenterPoint") to provide the natural gas utility with firm transportation and storage services on our HPL System located along the Texas gulf coast region commencing on April 1, 2007. These agreements replace a previous agreement with CenterPoint. Under the terms of the new agreements, CenterPoint has contracted for 129 Bcf per year of firm transportation capacity combined with 10 Bcf of working gas storage capacity in our Bammel Storage facility. Under the new agreements with CenterPoint, we will no longer need to utilize predominately all of the Bammel Storage facility's working gas capacity for supplying CenterPoint's winter needs. This may reduce our working capital requirements that were necessary to finance the working gas while in storage and may provide us an opportunity to offer storage to third parties.

Cash Flows

Our internally generated cash flows may change in the future due to a number of factors, some of which we cannot control. These include regulatory changes, the price for our products and services, the demand for such products and services, margin requirements resulting from significant changes in commodity prices, operational risks, the level of success in integrating our acquisitions, including the recently acquired Transwestern and Titan operations, and other factors.

Operating Activities. Cash provided by operating activities during the nine months ended May 31, 2007, was $869.3 million as compared to cash provided by operating activities of $527.8 million for the nine months ended May 31, 2006. The net cash provided by operations for the nine months ended May 31, 2007 consisted of net income of $539.6 million, non-cash charges of $139.6 million, principally depreciation and amortization, unit based compensation expense, and deferred taxes, and cash from changes in operating assets and liabilities of $190.1 million. Various components of operating assets and liabilities changed significantly from the prior period due to factors such as the variance in the timing of accounts receivable collections, payments on accounts payable, and the timing of the purchase and sale of inventories related to the propane and intrastate transportation and storage operations.

Investing Activities. Cash used in investing activities during the nine months ended May 31, 2007 of $1.9 billion is comprised primarily of cash paid for our investment in CCEH of $1.0 billion (net of the receipt of $49.0 million from CCEH as per the terms of our acquisition agreement), other acquisitions of $87.5 million and $736.8 million invested for growth capital expenditures (including the payment of $35.9 million accrued in prior periods) of which $711.8 million related to midstream and transportation assets and $25.0 million to propane assets. We also incurred $62.4 million in maintenance expenditures needed to sustain operations of which $42.5 million related to midstream and transportation assets and $19.9 million to propane assets.

Financing Activities. Cash provided by financing activities was $1.1 billion for the nine months ended May 31, 2007. We received $1.2 billion in proceeds from the sale of Class G Units to ETE and our General Partner contributed $24.5 million to maintain its two percent ownership in us. We used $1.0 billion of the proceeds to fund the purchase of the member interests of CCEH and the remainder was used to repay the indebtedness we incurred in connection with the Titan acquisition as discussed above in Note 3 to our condensed consolidated financial statements. On October 23, 2006, we received net proceeds of $791.0 million from the issuance of senior notes (see Note 13 to our condensed consolidated financial statements above) which we used to repay borrowings under the Partnership's revolving credit facility. In January and February 2007, we borrowed a total of approximately $307.0 million on our Revolving Credit Facility to fund required pre-payments of the debt we assumed in connection with our acquisition of Transwestern. In May 2007, Transwestern issued $307.0 million principal of Senior Unsecured Series Notes which we used $295.0 million to repay borrowings and accrued interest outstanding under the Partnership's revolving credit facility and $12.0 million for general partnership purposes. During the nine months ended May 31, 2007, we paid distributions of $451.8 million to our partners.

Financing and Sources of Liquidity

On October 23, 2006, we closed the issuance, under our $1.5 billion S-3 Registration Statement, of $400.0 million of 6.125% senior notes due 2017 and $400.0 million of 6.625% senior notes due 2036. We used the net proceeds of approximately $791.0 million from the issuance of the Notes to repay borrowings and accrued interest outstanding under our Revolving Credit Facility, to pay expenses associated with the offering and for general partnership purposes. Interest on the 2017 senior notes is payable semiannually on February 15 and August 15 of each year, beginning February 15, 2007, and interest on the 2036 senior notes is payable semiannually on April 15 and October 15 of each year, beginning April 15, 2007. All of the Partnership's obligations under the Notes are fully and unconditionally guaranteed by ETC OLP and Titan and substantially all of their present and future wholly-owned subsidiaries.

During fiscal year 2006, we filed a Registration Statement on Form S-3 with the Securities and Exchange Commission to register a $1.0 billion aggregate offering price of Common Units representing our Limited Partner interests. Through May 31, 2007, we have not made any sales under this Registration Statement.

Description of Indebtedness

Energy Transfer Partners Facilities

Our indebtedness as of May 31, 2007 consists of $750.0 million in principal amount of 5.95% Senior Notes due 2015, $400.0 million in principal amount of 5.65% Senior Notes due 2012, $400.0 million in principal amount of 6.125% Senior Notes due 2017, $400.0 million in principal amount of 6.625% Senior Notes due 2036 and a Revolving Credit Facility that allows for borrowings of up to $1.5 billion available through June 29, 2011. We also currently maintain separate credit facilities for HOLP. The terms of our indebtedness and our Operating Partnerships are described in more detail in our Annual Report on Form 10-K for fiscal 2006 filed with the Securities and Exchange Commission on November 13, 2006.

We have a $1.5 billion Amended and Restated Revolving Credit Facility (the "ETP Revolving Credit Facility") available through June 29, 2011. Amounts borrowed under the ETP Revolving Credit Facility bear interest at a rate based on either a Eurodollar rate or a prime rate. There is also a Swingline loan option with a maximum borrowing of $75.0 million at a daily rate based on LIBOR. The commitment fee payable on the unused portion of the facility varies based on our credit rating with a maximum fee of 0.175%. As of May 31, 2007, there was a balance of $735.1 million in revolving credit loans (including $68.1 million in Swingline loans) and $57.3 million in letters of credit. The weighted average interest rate on the total amount outstanding at May 31, 2007, was 5.994%. The total amount available under the ETP Revolving Credit Facility as of May 31, 2007, which is reduced by any amounts outstanding under the Swingline loan and letters of credit, was $707.6 million. The ETP Revolving Credit Facility is fully and unconditionally guaranteed by ETC OLP and Titan and all of their direct and indirect wholly-owned subsidiaries. The ETP Revolving Credit Facility is unsecured and has equal rights to holders of our other current and future unsecured debt.

On October 18, 2006 we paid and retired a $250.0 million unsecured Revolving Credit Facility which matured under its terms on December 1, 2006. Amounts borrowed under this facility bore interest at a rate based on either a Eurodollar rate or a base rate. The maximum commitment fee payable on the unused portion of the facility was 0.25%. The $250.0 million Revolving Credit Facility was fully and unconditionally guaranteed by ETC OLP and all of the direct and indirect wholly-owned subsidiaries of ETC OLP.

Transwestern Debt

Long-term debt as of December 1, 2006 we assumed in connection with the Transwestern acquisition is as follows:

5.39% Notes due November 17, 2014	$ 270,000
5.54% Notes due November 17, 2016	250,000
Total long-term debt outstanding	520,000
Unamortized debt discount	(623)
Total long-term debt assumed	$ 519,377

No principal payments are required under any of the debt agreements prior to their respective maturity dates. However, in connection with our acquisition of Transwestern, due to a change in control provision in

Transwestern's debt agreements, Transwestern was required to pre-pay approximately $307.0 million of long-term debt, $292.0 million in February 2007 and $15.0 million in March 2007. These payments were financed with borrowings from ETP's Revolving Credit Facility.

In May 2007, Transwestern issued a total of $307 million aggregate principal amount of Senior Unsecured Series Notes ("Unsecured Series Notes") comprised of the following:

Principal	Interest Rate	Maturity Date
$ 82,000	5.64%	May 24, 2017
150,000	5.89%	May 24, 2022
75,000	6.16%	May 24, 2037

The Partnership used $295.0 million of the proceeds received to repay borrowings and accrued interest outstanding under the ETP Revolving Credit Facility and $12.0 million for general partnership purposes. Interest is payable semi-annually, and the Unsecured Series Notes rank pari passu with Transwestern's other unsecured debt. The Unsecured Series Notes are prepayable at any time in whole or pro rata in part, subject to a premium or upon a change of control event, as defined.

Transwestern's credit agreements contain certain restrictions that, among other things, limit the incurrence of additional debt, the sale of assets and the payment of dividends and require certain debt to capitalization ratios.

HOLP Facilities

A $75.0 million Senior Revolving Facility (the "HOLP Facility") is available through June 30, 2011. The HOLP Facility has a swingline loan option with a maximum borrowing of $10.0 million at a prime rate. Amounts borrowed under the Facility bear interest at a rate based on either a Eurodollar rate or a prime rate. The commitment fee payable on the unused portion of the facility varies based on the Leverage Ratio, as defined in the agreement related to the HOLP Facility, with a maximum fee of 0.50%. The agreement includes provisions that may require contingent prepayments in the event of dispositions, loss of assets, merger or change of control. All receivables, contracts, equipment, inventory, general intangibles, cash concentration accounts of HOLP, and the capital stock of HOLP's subsidiaries secure the HOLP Facility. As of May 31, 2007, there was no balance outstanding on the revolving credit loans. A Letter of Credit issuance is available to HOLP for up to 30 days prior to the maturity date of the HOLP Facility. There were outstanding Letters of Credit of $1.0 million at May 31, 2007. The sum of the loans made under the HOLP Facility plus the Letter of Credit Exposure and the aggregate amount of all swingline loans cannot exceed the $75.0 million maximum amount of the HOLP Facility. The amount available under the HOLP Facility at May 31, 2007 was $74.0 million.

We were in compliance with all of the covenants of our debt agreements as of May 31, 2007.

Cash Distributions

We will use our cash provided by operating and financing activities from the Operating Partnerships to provide distributions to our Unitholders as well as to our General Partner in respect of its 2% general partner interest and its incentive distribution rights. Under the Partnership Agreement, we will distribute to our partners within 45 days after the end of each fiscal quarter, an amount equal to all of our Available Cash for such quarter. Available Cash generally means, with respect to any quarter of the Partnership, all cash on hand at the end of such quarter less the amount of cash reserves established by the General Partner in its reasonable discretion that is necessary or appropriate to provide for future cash requirements.

On October 16, 2006, we paid a quarterly distribution of $0.75 per Common Unit ($3.00 per unit on an annualized basis) to Unitholders of record at the close of business on October 5, 2006. On January 15, 2007, we paid a quarterly distribution of $0.7688 per limited partner unit ($3.075 per unit on an annualized basis) to Unitholders of record at the close of business on January 4, 2007. On April 13, 2007, we paid a quarterly distribution of $0.7875 ($3.15 per unit on an annualized basis) to Unitholders of record at the close of business on April 6, 2007. On June 20, 2007, we declared a per unit cash distribution of $0.80625 ($3.225 per unit on an annualized basis) for the quarter ended May 31, 2007, which will be paid on July 16, 2007 to Unitholders of record at the close of business on July 2, 2007.

On October 16, 2006, we paid a quarterly distribution of $42.6 million in the aggregate in respect of our General Partner's 2% general partner interest and its incentive distribution rights. On January 15, 2007, we paid a quarterly distribution of $55.2 million in the aggregate in respect of our General Partner's 2% general partner interest and its incentive distribution rights. On April 13, 2007, we paid a quarterly distribution of $57.7 million in the aggregate in respect of our General Partner's 2% general partner interest and its incentive distribution rights. On July 16, 2007, we will pay a quarterly distribution of $60.3 million in the aggregate in respect of our General Partner's 2% general partner interest and its incentive distribution rights. Our General Partner's incentive distributions rights entitle it to receive incentive distributions to the extent that quarterly distributions to our Unitholders exceed $0.275 per unit (which amount represents $1.10 per unit on an annualized basis). These incentive distributions entitle our General Partner to increasing percentages of our cash distributions based upon exceeding incentive distribution thresholds specified in our Partnership Agreement, which incentive distribution rights entitle our General Partner to receive 50% of our cash distributions in excess of $0.4125 per unit. At current distribution levels, our General Partner is entitled to receive cash distributions at the highest incentive distribution level of 50% with respect to our distributions in excess of $0.4125 per unit.

Contractual Obligations

Total payments due for the remainder of fiscal year 2007 increased due to the Transwestern acquisition as we assumed additional operating lease obligations. This increase was approximately $3.4 million resulting in a total obligation of approximately $12.2 million.

New Accounting Standards

See Note 2 to our condensed consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information contained in Item 3 updates, and should be read in conjunction with, information set forth in Part II, Item 7A in our Annual Report on Form 10-K for the year ended August 31, 2006, in addition to the interim unaudited condensed consolidated financial statements, accompanying notes and management's discussion and analysis of financial condition and results of operations presented in Items 1 and 2 of this Quarterly Report on Form 10-Q. Our quantitative and qualitative disclosures about market risk are consistent with those discussed in our Annual Report on Form 10-K.

The following table provides a summary of our commodity-related price risk management assets and liabilities as of May 31, 2007:

May 31, 2007	Commodity	Notional Volume MMBTU	Maturity	Fair Value
Mark to Market Derivatives				
(Non-Trading)				
Basis Swaps IFERC/NYMEX	Gas	19,169,697	2007-2009	$ 7,746
Swing Swaps IFERC	Gas	(4,942,500)	2007-2008	365
Fixed Swaps/Futures	Gas	(9,867,500)	2007-2009	(1,705)
Forward Physical Contracts	Gas	(12,584,549)	2007-2008	128
Options	Gas	(1,038,000)	2007-2008	(176)
Propane Swaps - in Gallons	Propane	882,000	2007-2008	12
(Trading)				
Basis Swaps IFERC/NYMEX	Gas	2,747,500	2007-2008	$ 2,666
Swing Swaps IFERC	Gas	3,300,000	2007	(249)
Forward Physical Contracts	Gas	—	2007	(352)
Fixed Swaps/Futures	Gas	(300,000)	2007	21
Cash Flow Hedging Derivatives				
(Non-Trading)				
Basis Swaps IFERC/NYMEX	Gas	(21,407,500)	2007-2009	$ (291)
Fixed Swaps/Futures	Gas	(22,332,500)	2007-2009	(1,918)

Credit Risk

We maintain credit policies with regard to our counterparties that we believe significantly minimize our overall credit risk. These policies include an evaluation of potential counterparties' financial condition (including credit ratings), collateral requirements under certain circumstances and the use of standardized agreements which allow for netting of positive and negative exposure associated with a single counterparty.

Our counterparties consist primarily of financial institutions, major energy companies and local distribution companies. This concentration of counterparties may impact our overall exposure to credit risk, either positively or negatively in that the counterparties may be similarly affected by changes in economic, regulatory or other conditions. Based on our policies, exposures, credit and other reserves, management does not anticipate a material adverse effect on financial position or results of operations as a result of counterparty performance.

Sensitivity Analysis

The table below summarizes our commodity-related financial derivative instruments and fair values as of May 31, 2007. It also assumes a hypothetical 10% change in the underlying price of the commodity and its effect.

	Notional Volume MMBTU	Fair Value	Effect of Hypothetical 10% Change
Non-Trading Derivatives			
Fixed Swaps/Futures	(32,200,000)	$ (3,623)	$ 27,440
Basis Swaps IFERC/NYMEX	(2,237,803)	7,455	750
Swing Swaps IFERC	(4,942,500)	365	605
Options	(1,038,000)	(176)	77
Forward Physical Contracts	(12,584,549)	128	2,344
Propane Forwards/Swaps (in Gallons)	882,000	12	19
Trading Derivatives			
Fixed Swaps/Futures	(300,000)	21	228
Swing Swaps IFERC	3,300,000	(249)	22
Basic Swaps IFERC/NYMEX	2,747,500	2,666	126
Forward Physical Contracts	—	(352)	2,269

The fair values of the commodity-related financial positions have been determined using independent third party prices, readily available market information, broker quotes and appropriate valuation techniques. Non-trading positions offset physical exposures to the cash market; none of these offsetting physical exposures are included in the above tables. Price-risk sensitivities were calculated by assuming a theoretical 10 percent change (increase or decrease) in price regardless of term or historical relationships between the contractual price of the instruments and the underlying commodity price. Results are presented in absolute terms and represent a potential gain or loss in our consolidated results of operations or in accumulated other comprehensive income. In the event of an actual 10 percent change in prompt month natural gas prices, the fair value of our total derivative portfolio may not change by 10 percent due to factors such as when the financial instrument settles and the location to which the financial instrument is tied (i.e., basis swaps) and the relationship between prompt month and forward months.

Interest Rate Risk

We are exposed to market risk for changes in interest rates related to our bank credit facilities. We manage a portion of our interest rate exposures by utilizing interest rate swaps and similar arrangements which allow us to effectively convert a portion of variable rate debt into fixed rate debt.

In connection with the Titan acquisition, we assumed a three year LIBOR interest rate swap with a notional amount of $125.0 million. The fair value of this swap as of May 31, 2007 and August 31, 2006 was a net asset of $0.2 million and $0.5 million, respectively, and was recorded as a component of price risk management assets and liabilities in the consolidated balance sheet. A hypothetical change of 1% on the underlying interest rate would have an effect of $2.1 million on the value of the swap as of May 31, 2007.

In March 2007 the Partnership entered into interest rate swaps with an aggregate notional amount of $600.0 million with various financial institutions in anticipation of a debt offering in the fourth fiscal quarter of 2007. The fair value of these swaps at May 31, 2007 was $15.7 million and was recorded as component of price risk assets on the condensed consolidated balance sheet. The Partnership did not apply hedge accounting to these swaps and changes in fair value were recorded in other income. These swaps subsequently settled in June 2007 for a gain of $31.5 million.

ITEM 4. CONTROLS AND PROCEDURES

An evaluation was performed under the supervision and with the participation of our management, including the Co-Chief Executive Officers and Chief Financial Officer of our General Partner, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a–15(e) and 15d–15(e) of the Securities Exchange Act of 1934, as amended) as of May 31, 2007. Our management, including the Co-Chief Executive Officers and Chief Financial Officer does not expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. The inherent limitations in all control systems include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Based upon the evaluation, our management, including the Co-Chief Executive Officers and Chief Financial Officer of our General Partner, concluded that our disclosure controls and procedures are adequate and effective to ensure that information required to be disclosed by us in our periodic filings under the Securities and Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms.

Other than changes resulting from the Titan and Transwestern acquisitions, there have been no changes in our internal controls over financial reporting (as defined in Rule 13(a)–15 or Rule 15d–15(f) of the Exchange Act) during the three months ended May 31, 2007, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

We continue to evaluate Titan’s business and are making various changes to its operating and organizational structure based on our business plan. We are in the process of implementing our internal control structure over the operations of Titan. We expect that this effort will continue into future fiscal quarters of 2007 due to the magnitude of the business.

We closed the acquisition of Transwestern on December 1, 2006 and have begun the integration of the internal control structure of Transwestern into our processes and controls. We expect that integration effort to continue during the remainder of our fiscal year 2007 and into fiscal year 2008, which may result in changes to Transwestern’s operating and organizational structure. As permitted by the SEC rules, we intend to exclude Transwestern from our evaluation of the effectiveness of internal control over financial reporting for the year ending August 31, 2007, due to its size and complexity.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For information regarding legal proceedings, see our Form 10-K for the year ended August 31, 2006 and Note 15 - Regulatory Matters, Commitments, Contingencies and Environmental Liabilities of the Notes to Condensed Consolidated Financial Statements of Energy Transfer Partners, L.P. and Subsidiaries included in this Form 10-Q for the quarter ended May 31, 2007.

ITEM 1A. RISK FACTORS

In addition to the risks described in our Annual Report on Form 10-K for the year ended August 31, 2006, we are subject to the following additional risks:

The pipeline businesses are subject to competition.

The interstate pipeline business of Transwestern competes with those of other interstate and intrastate pipeline companies in the transportation of natural gas. The principal elements of competition among pipelines are rates, terms of service and the flexibility and reliability of service. Natural gas competes with other forms of energy available to our customers and end-users, including electricity, coal and fuel oils. The primary competitive factor is price. Changes in the availability or price of natural gas and other forms of energy, the level of business activity, conservation, legislation and governmental regulations, the capability to convert to alternate fuels and other factors, including weather and natural gas storage levels, affect the demand for natural gas in the areas served by Transwestern.

The success of the pipelines depends on the continued development of additional natural gas reserves in the vicinity of our facilities and our ability to access additional reserves to offset the natural decline from existing wells connected to our systems.

The amount of revenue generated by Transwestern depends substantially upon the volume of natural gas transported. As the reserves available through the supply basins connected to Transwestern's systems naturally decline, a decrease in development or production activity could cause a decrease in the volume of natural gas available for transmission. Investments by third parties in the development of new natural gas reserves connected to Transwestern's facilities depend on many factors beyond Transwestern's control.

The inability to continue to access Tribal lands could adversely affect Transwestern's ability to operate its pipeline system and the inability to recover the cost of right-of-way grants on tribal lands could adversely affect its financial results.

Transwestern's ability to operate its pipeline system on certain Tribal lands (lands held in trust by the United States for the benefit of a Native American Tribe) will depend on its success in maintaining existing right-of-way and obtaining new right-of-way on those Tribal lands. Securing additional right-of-way is also critical to Transwestern's ability to pursue expansion projects including Transwestern's proposed expansion of its San Juan lateral in New Mexico. We cannot assure that Transwestern will be able to acquire new right-of-way on Tribal lands or maintain access to existing right-of-way upon the expiration of the current grants. Our financial position could be adversely affected if the costs of new or extended right-of-way grants cannot be recovered in rates.

Transwestern is subject to FERC rate-making policies that could have an adverse impact on our ability to establish rates that would allow us to recover the full cost of operating the pipeline.

In general, rate-making policies by FERC could affect Transwestern's ability to establish rates, or to charge rates that would cover future increases in its costs, or even to continue to collect rates that cover current costs. Natural gas companies may not charge rates that have been determined not to be just and reasonable by FERC. The rates, terms and conditions of service provided by natural gas companies are required to be on file with FERC in FERC-approved tariffs. Pursuant to FERC's jurisdiction over rates, tariff rates may be challenged by complaint and proposed rate increases may be challenged by protest. Further, other than for rates set under market-based rate authority, the FERC may order refunds of amounts collected under rates that were in excess of a just and reasonable level when taking into consideration our pipeline system's cost of service. In addition, shippers (other than shippers who have agreed not to challenge our tariff rates through 2010 pursuant to our recent settlement agreement with these shippers) may challenge the lawfulness of tariff rates that have become final and effective. The FERC may also investigate such rates absent shipper complaint. Any successful complaint or protest against Transwestern's rates could reduce our revenues associated with providing transmission services. We cannot assure you that we will be able to recover all of Transwestern's costs through existing or future rates.

The ability of regulated pipelines held in pass-through entities, like us, to include an allowance for income taxes has been subject to extensive litigation before FERC and the courts, and the FERC's current policy is subject to future review by the FERC and the courts.

The ability of regulated pipelines held in tax-pass-through entities, like us, to include an allowance for income taxes has been subject to extensive litigation before FERC and the courts for a number of years. In its *Lakehead* decision, the FERC allowed an oil pipeline publicly traded partnership to include in its cost-of-service an income tax allowance to the extent that its unitholders were corporations subject to income tax. In July 2004, the D.C. Circuit issued its opinion in *BP West Coast Products, LLC v. FERC*, which upheld, among other things, the FERC's determination that certain rates of an interstate petroleum products pipeline, SFPP, were grandfathered rates under the Energy Policy Act of 1992 but vacated the portion of the FERC's decision applying the *Lakehead* policy. In the *Lakehead* decision, the FERC allowed an oil pipeline publicly traded partnership to include in its cost-of-service an income tax allowance to the extent that its unitholders were corporations subject to income tax. In May and June 2005, the FERC issued a statement of general policy, as well as an order on remand of *BP West Coast*, respectively, in which the FERC stated it will permit pipelines to include in cost of service a tax allowance to reflect actual or potential tax liability on their public utility income attributable to all partnership or limited liability company interests, if the ultimate owner of the interest has an actual or potential income tax liability on such income. Whether a pipeline's owners have such actual or potential income tax liability will be reviewed by the FERC on a case-by-case basis. Although the new policy is generally favorable for pipelines that are organized as pass-through entities, it still entails rate risk due to the case-by-case review requirement. In December 2005, the FERC issued its first case-specific oil pipeline review of the income tax allowance issues in the SFPP proceeding, reaffirming its new income tax allowance policy and directing SFPP to provide certain evidence necessary for the pipeline to determine its income allowance. Further, in the December 2005 order, the FERC concluded that for tax allowance purposes, the FERC would apply a rebuttable presumption that corporate partners of pass-through entities pay the maximum marginal tax rate of 35% and that non-corporate partners of pass-through entities pay a marginal rate of 28%. The FERC indicated that it would address the income tax allowance issues further in the context of SFPP's compliance filing submitted in March 2006. In December 2006, the FERC ruled on some of the issues raised as to the March 2006 SFPP compliance filing, upholding most of its determinations in the December 2005 order. FERC did revise its rebuttable presumption as to corporate partners' marginal tax rate from 35% to 34%. The FERC's *BP West Coast* remand decision and the new tax allowance policy were appealed to the D.C. Circuit. In May 2007, the D.C. Circuit affirmed FERC's favorable tax allowance policy. As a result, we remain eligible to include an allowance in the tariff rates we charge for natural gas transportation on our Transwestern interstate pipeline system, subject to our ability to demonstrate compliance with FERC's policy. The specific terms and application of that policy remain subject to future review by FERC and the courts.

Transwestern is subject to regulation by FERC in addition to FERC rules and regulations related to the rates it can charge for its services.

FERC's regulatory authority also extends to:

- operating terms and conditions of service;
- the types of services Transwestern may offer to its customers;
- construction of new facilities;
- acquisition, extension or abandonment of services or facilities;
- accounts and records; and
- relationships with affiliated companies involved in all aspects of the natural gas and energy businesses.

FERC action in any of these areas or modifications of its current regulations can impair Transwestern's ability to compete for business, the costs it incurs in its operations, the construction of new facilities or its ability to recover the full cost of operating its pipeline. For example, the development of uniform interstate gas quality standards by FERC could create two distinct markets for natural gas – an interstate market subject to uniform minimum quality standards and an intrastate market with no uniform minimum quality standards. Such a bifurcation of markets could make it difficult for our pipelines to compete in both markets or to attract certain gas supplies away from the intrastate market. The time FERC takes to approve the construction of new facilities could raise the costs of our projects to the point where they are no longer economic.

FERC has authority to review pipeline contracts. If FERC determines that a term of any such contract deviates in a material manner from a pipeline's tariff, FERC typically will order the pipeline to remove the term from the contract and execute and refile a new contract with FERC or, alternatively, to amend its tariff to include the deviating term, thereby offering it to all shippers. If FERC audits a pipeline's contracts and finds deviations that appear to be unduly discriminatory, FERC could conduct a formal enforcement investigation, resulting in serious penalties and/or onerous ongoing compliance obligations.

Should Transwestern fail to comply with all applicable FERC administered statutes, rules, regulations and orders, it could be subject to substantial penalties and fines. Under the recently enacted Energy Policy Act of 2005, FERC has civil penalty authority under the Natural Gas Act to impose penalties for current violations of up to $1.0 million per day for each violation.

Finally, we cannot give any assurance regarding the likely future regulations under which we will operate Transwestern or the effect such regulation could have on our business, financial condition, and results of operations.

We are under investigation by the FERC and CFTC relating to certain trading and transportation activities.

As described in Note 16, Regulatory Matters, Commitment, Contingencies, and Environmental Matters – Litigation and Contingencies, we are under investigation by the FERC and CFTC with respect to whether ETP engaged in manipulation or improper trading activities in the Houston Ship Channel market around the times of the hurricanes in the fall of 2005 and other prior periods in order to benefit financially from our commodities derivative positions and from certain of our index-priced physical gas purchases in the Houston Ship Channel market. The FERC is also investigating certain of our intrastate transportation activities. Management believes that these agencies will require a payment in order to conclude these investigations on a negotiated settlement basis. It is also possible that third parties will assert claims for damages related to these matters. Our existing accruals for litigation and contingencies include an accrual related to these matters. At this time, we are unable to predict the outcome of these matters; however, it is possible that the amount we become obligated to pay as a result of the final resolution of these matters, whether on a negotiated settlement basis or otherwise, will exceed the amount of our existing accrual related to these matters. As our accrual amounts are non-cash, any cash payment of an amount in resolution of these matters would likely be made from cash from operations or borrowings, which payments would reduce our cash available for distributions either directly or as a result of increased principal and interest payments necessary to service any borrowings incurred to finance such payments. If these payments are substantial, we may experience a material adverse impact on our results of operations, cash available for distribution and our liquidity.

The risk of competition with affiliates of our General Partner has increased.

Except as provided in our Partnership Agreement, affiliates of our General Partner are not prohibited from engaging in other businesses or activities, including those that might be in direct competition with us. On May 7, 2007, Enterprise GP Holdings, L.P. acquired a 34.9% non-controlling equity interest in LE GP, L.L.C., ETE's General Partner. Enterprise GP Holdings, L.P. and its subsidiaries are a North American midstream energy business. As a result, there is greater risk that competition with affiliates of our General Partner could occur.

We treat each purchaser of Common Units as having the same tax benefits without regard to the actual Common Units purchased. The IRS may challenge this treatment, which could result in a Unitholder owing more tax and may adversely affect the value of the Common Units.

To maintain the uniformity of the economic and tax characteristics of our Common Units, we have adopted certain depreciation and amortization positions that are inconsistent with existing Treasury Regulations. These positions may result in an understatement of deductions and losses and an overstatement of income and gain to our Unitholders. For example, we do not amortize certain goodwill assets, the value of which has been attributed to certain of our outstanding units. A subsequent holder of those units is entitled to an amortization deduction attributable to that goodwill under Internal Revenue Code Section 743(b). But, because we cannot identify these units once they are traded by the initial holder, we do not give any subsequent holder of a unit any such amortization deduction. This approach understates deductions available to those Unitholders who own those units and may result in those Unitholders believing that they have a higher tax basis in their units than is actually the case. This, in turn, may result in those Unitholders reporting less gain or more loss on a sale of their units than is actually the case.

The IRS may challenge the manner in which we calculate our Unitholder's basis adjustment under Section 743(b). If so, because neither we nor a Unitholder can identify the units to which this issue relates once the initial holder has traded them, the IRS may assert adjustments to all Unitholders selling units within the period under audit as if all Unitholders owned such units.

Any position we take that is inconsistent with applicable Treasury Regulations may have to be disclosed on our federal income tax return. This disclosure increases the likelihood that the IRS will challenge our positions and propose adjustments to some or all of our Unitholders.

A successful IRS challenge to this position or other positions we may take could adversely affect the amount of taxable income or loss allocated to our Unitholders. It also could affect the gain from a Unitholder's sale of Common Units and could have a negative impact on the value of the Common Units or result in audit adjustments to our Unitholders' tax returns without the benefit of additional deductions. Moreover, because one of our subsidiaries that is organized as a C corporation for federal income tax purposes owns units in us, a successful IRS challenge could result in this subsidiary having more tax liability than we anticipate and, therefore, reduce the cash available for distribution to our partnership and, in turn, to you.

We have adopted certain valuation methodologies that may result in a shift of income, gain, loss and deduction between us and our public Unitholders. The IRS may challenge this treatment, which could adversely affect the value of our Common Units.

When we issue additional units or engage in certain other transactions, we determine the fair market value of our assets and allocate any unrealized gain or loss attributable to such assets to the capital accounts of our Unitholders and our General Partner. Although we may from time to time consult with professional appraisers regarding valuation matters, including the valuation of our assets, we make many of the fair market value estimates of our assets ourselves using a methodology based on the market value of our Common Units as a means to measure the fair market value of our assets. Our methodology may be viewed as understating the value of our assets. In that case, there may be a shift of income, gain, loss and deduction between certain Unitholders and our General Partner, which may be unfavorable to such Unitholders. Moreover, under our current valuation methods, subsequent purchasers of our Common Units may have a greater portion of their Internal Revenue Code Section 743(b) adjustment allocated to ETP's intangible assets and a lesser portion allocated to our tangible assets. The IRS may challenge our valuation methods, or our allocation of Section 743(b) adjustment attributable to our tangible and intangible assets, and allocations of income, gain, loss and deduction between the General Partner and certain of our Unitholders.

A successful IRS challenge to these methods or allocations could adversely affect the amount of taxable income or loss being allocated to our Unitholders. It also could affect the amount of gain on the sale of Common Units by our Unitholders and could have a negative impact on the value of our Common Units or result in audit adjustments to the tax returns of our Unitholders without the benefit of additional deductions.

The sale or exchange of 50% or more of our capital and profit interests during any twelve-month period will result in the termination of our partnership for federal income tax purposes.

Our partnership will be considered to have terminated for federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a twelve-month period. In order to determine whether a sale or exchange of 50% or more of the total interests in our capital and profits has occurred, we review information available to us related to transactions involving transfers of all our partnership interests, including reported transfers of Common Units by our affiliates and sales of Common Units pursuant to trading activity in the public markets. Moreover, a technical termination of ETE would cause a deemed sale or exchange of all of our partnership interests held by ETE. Therefore, we also review such transactions related to common units in ETE. However, the information we are able to obtain does not provide all of the information necessary to make a definitive determination, on a current basis, of whether there have been sales and exchanges of 50% or more of our capital and profits interests within the prior twelve-month period, and we may not have all of the information necessary to make this determination until several months following the time of the transfers that would cause the 50% threshold to be exceeded. Based on the information currently available to us, we believe that transfers of our capital and profits interests is approaching the 50% threshold, and, if there are any significant additional sales of our Common Units or the common units in ETE in the near future, we expect that this 50% threshold will be exceeded. It is possible that the 50% threshold has already been exceeded, although we do not believe that to be the case based upon available information.

If a termination of our partnership for federal income tax purposes occurs, the termination will, among other things, result in the closing of our taxable year for all unitholders and could result in a significant deferral of the depreciation deductions allowable in computing our taxable income. If this occurs, you will be allocated an increased amount of taxable income as a percentage of the cash distributed to you. Although the amount of increase cannot be estimated because it depends upon numerous factors including the timing of the termination, the amount could be material. Our termination would not affect our classification as a partnership for federal income tax purposes, but instead, we would be treated as a new partnership for tax purposes. If treated as a new partnership, we must make new tax elections and could be subject to penalties if we are unable to determine that a termination occurred.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not Applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Partnership held a special meeting of its Common Unitholders on May 1, 2007. The meeting was held to act on a proposal to approve a change in the terms of the Partnership's Class G Units to provide that each Class G Unit was converted into one of the Partnership's Common Units and the issuance of additional Common Units upon such conversion upon the request of the holder of the Class G Units. The following votes were cast with respect to the proposal:

FOR	*AGAINST*	*ABSTAIN*	*BROKER NON VOTES*
74,618,825	552,040	358,819	0

ITEM 5. OTHER INFORMATION

On May 24, 2007, Transwestern issued a total of $307,000,000 aggregate principal amount of Senior Unsecured Series Notes ("Unsecured Series Notes") comprised of the following:

Principal	Interest Rate	Maturity Date
$ 82,000,000	5.64%	May 24, 2017
150,000,000	5.89%	May 24, 2022
75,000,000	6.16%	May 24, 2037

The Partnership used $295,000,000 of the proceeds received to repay borrowings and accrued interest outstanding under the ETP Revolving Credit Facility and $12,000,000 for general partnership purposes. Interest is payable semi-annually, and the Unsecured Series Notes rank pari passu with Transwestern's other unsecured debt. The Unsecured Series Notes are prepayable at any time in whole or pro rata in part, subject to a premium or upon a change of control event, as defined.

ITEM 6. EXHIBITS

(a) Exhibits

The exhibits listed on the following Exhibit Index are filed as part of this Report. Exhibits required by Item 601 of Regulation S-K, but which are not listed below, are not applicable.

	Exhibit Number	Description
(1)	3.1	Agreement of Limited Partnership of Energy Transfer Partners, L.P. (formerly named Heritage Propane Partners, L.P.)
(8)	3.1.1	Amendment No. 1 to Amended and Restated Agreement of Limited Partnership of Energy Transfer Partners, L.P. (formerly named Heritage Propane Partners, L.P.)
(13)	3.1.2	Amendment No. 2 to Amended and Restated Agreement of Limited Partnership of Energy Transfer Partners, L.P. (formerly named Heritage Propane Partners, L.P.)
(16)	3.1.3	Amendment No. 3 to Amended and Restated Agreement of Limited Partnership of Energy Transfer Partners, L.P. (formerly named Heritage Propane Partners, L.P.)
(16)	3.1.4	Amendment No. 4 to Amended and Restated Agreement of Limited Partnership of Energy Transfer Partners, L.P. (formerly named Heritage Propane Partners, L.P.)
(21)	3.1.5	Amendment No. 5 to Amended and Restated Agreement of Limited Partnership of Energy Transfer Partners, L.P. (formerly named Heritage Propane Partners, L.P.)

	Exhibit Number	Description
(21)	3.1.6	Amendment No. 6 to Amended and Restated Agreement of Limited Partnership of Energy Transfer Partners, L.P. (formerly named Heritage Propane Partners, L.P.)
(34)	3.1.7	Amendment No. 7 to Amended and Restated Agreement of Limited Partnership of Energy Transfer Partners, L.P. (formerly named Heritage Propane Partners, L.P.)
(35)	3.1.8	Amendment No. 8 to Amended and Restated Agreement of Limited Partnership of Energy Transfer Partners, L.P. (formerly named Heritage Propane Partners, L.P.)
(49)	3.1.9	Amendment No. 9 to Amended and Restated Agreement of Limited Partnership of Energy Transfer Partners, L.P.
(47)	3.1.10	Amendment No. 10 to Amended and Restated Agreement of Limited Partnership of Energy Transfer Partners, L.P.
(1)	3.2	Agreement of Limited Partnership of Heritage Operating, L.P.
(10)	3.2.1	Amendment No. 1 to Amended and Restated Agreement of Limited Partnership of Heritage Operating, L.P.
(16)	3.2.2	Amendment No. 2 to Amended and Restated Agreement of Limited Partnership of Heritage Operating, L.P.
(21)	3.2.3	Amendment No. 3 to Amended and Restated Agreement of Limited Partnership of Heritage Operating, L.P.
(21)	3.3	Amended Certificate of Limited Partnership of Energy Transfer Partners, L.P.
(15)	3.4	Amended Certificate of Limited Partnership of Heritage Operating, L.P.
(*)	3.5	Third Amended and Restated Agreement of Limited Partnership of Energy Transfer Partners GP, L.P.
(*)	3.6	Third Amended and Restated Limited Liability Agreement of Energy Transfer Partners, L.L.C.
(17)	4.1	Registration Rights Agreement for Limited Partner Interests of Heritage Propane Partners, L.P.
(21)	4.2	Unitholder Rights Agreement dated January 20, 2004 among Heritage Propane Partners, L.P., Heritage Holdings, Inc., TAAP LP and La Grange Energy, L.P.
(27)	4.3	Indenture dated January 18, 2005 among Energy Transfer Partners, L.P., the subsidiary guarantors named therein and Wachovia Bank, National Association, as trustee.
(28)	4.4	First Supplemental Indenture dated January 18, 2005, among Energy Transfer Partners, L.P., the subsidiary guarantors names therein and Wachovia Bank, National Association, as trustee.
(37)	4.5	Second Supplemental Indenture dated as of February 24, 2005 to Indenture dated as of January 18, 2005, among Energy Transfer Partners, L.P., the subsidiary guarantors named therein and Wachovia Bank, National Association, as trustee.
(29)	4.7	Registration Rights Agreement, dated January 18, 2005, among Energy Transfer Partners, L.P., the subsidiary guarantors and Wachovia Bank, National Association as trustee.
(39)	4.8	Joinder to Registration Rights Agreement, dated February 24, 2005, among Energy Transfer Partners, L.P., the subsidiary guarantors and Wachovia Bank, National Association as trustee.
(41)	4.9	Third Supplemental Indenture dated as of July 29, 2005 to Indenture dated January 18, 2005, among Energy Transfer Partners, L.P., the subsidiary guarantors named therein and Wachovia Bank, National Association, as trustee.
(42)	4.10	Registration Rights Agreement, dated July 29, 2005, among Energy Transfer Partners, L.P., the subsidiary guarantors named therein and the initial purchasers thereto.
(43)	4.11	Form of Senior Indenture of Energy Transfer Partners, L.P.
(43)	4.12	Form of Subordinated Indenture of Energy Transfer Partners, L.P.

	Exhibit Number		Description
(53)		4.13	Fourth Supplemental Indenture dated as of June 29, 2006 to Indenture dated January 18, 2005, among Energy Transfer Partners, L.P, the subsidiary guarantors named therein and Wachovia Bank, National Association, as trustee.
(46)		4.14	Fifth Supplemental Indenture dated as of October 23, 2006 to Indenture dated January 18, 2005, among Energy Transfer Partners, L.P, the subsidiary guarantors named therein and Wachovia Bank, National Association, as trustee.
(47)		4.15	Registration Rights Agreement, dated November 1, 2006, between Energy Transfer Partners, L.P. and Energy Transfer Equity, L.P.
(1)		10.2	Form of Note Purchase Agreement (June 25, 1996).
(2)		10.2.1	Amendment of Note Purchase Agreement (June 25, 1996) dated as of July 25, 1996.
(3)		10.2.2	Amendment of Note Purchase Agreement (June 25, 1996) dated as of March 11, 1997.
(5)		10.2.3	Amendment of Note Purchase Agreement (June 25, 1996) dated as of October 15, 1998.
(6)		10.2.4	Second Amendment Agreement dated September 1, 1999 to June 25, 1996 Note Purchase Agreement.
(9)		10.2.5	Third Amendment Agreement dated May 31, 2000 to June 25, 1996 Note Purchase Agreement and November 19, 1997 Note Purchase Agreement.
(8)		10.2.6	Fourth Amendment Agreement dated August 10, 2000 to June 25, 1996 Note Purchase Agreement and November 19, 1997 Note Purchase Agreement.
(11)		10.2.7	Fifth Amendment Agreement dated as of December 28, 2000 to June 25, 1996 Note Purchase Agreement, November 19, 1997 Note Purchase Agreement and August 10, 2000 Note Purchase Agreement.
(1)		10.3	Form of Contribution, Conveyance and Assumption Agreement among Heritage Holdings, Inc., Heritage Propane Partners, L.P. and Heritage Operating, L.P.
(15)	**	10.6.3	Second Amended and Restated Restricted Unit Plan dated as of February 4, 2002.
(26)	**	10.6.5	Form of Grant Agreement.
*	**	10.6.6	Amended and Restated 2004 Unit Plan.
(4)		10.16	Note Purchase Agreement dated as of November 19, 1997.
(5)		10.16.1	Amendment dated October 15, 1998 to November 19, 1997 Note Purchase Agreement.
(6)		10.16.2	Second Amendment Agreement dated September 1, 1999 to November 19, 1997 Note Purchase Agreement and June 25, 1996 Note Purchase Agreement.
(7)		10.16.3	Third Amendment Agreement dated May 31, 2000 to November 19, 1997 Note Purchase Agreement and June 25, 1996 Note Purchase Agreement.
(8)		10.16.4	Fourth Amendment Agreement dated August 10, 2000 to November 19, 1997 Note Purchase Agreement and June 25, 1996 Note Purchase Agreement.
(11)		10.16.5	Fifth Amendment Agreement dated as of December 28, 2000 to June 25, 1996 Note Purchase Agreement, November 19, 1997 Note Purchase Agreement and August 10, 2000 Note Purchase Agreement.
(22)		10.16.6	Sixth Amendment Agreement dated as of November 18, 2003 to June 25, 1996 Note Purchase Agreement, November 19, 1997 Note Purchase Agreement and August 10, 2000 Note Purchase Agreement.
(8)		10.17	Contribution Agreement dated June 15, 2000 among U.S. Propane, L.P., Heritage Operating, L.P. and Heritage Propane Partners, L.P.
(8)		10.17.1	Amendment dated August 10, 2000 to June 15, 2000 Contribution Agreement.

	Exhibit Number	Description
(8)	10.18	Subscription Agreement dated June 15, 2000 between Heritage Propane Partners, L.P. and individual investors.
(8)	10.18.1	Amendment dated August 10, 2000 to June 15, 2000 Subscription Agreement.
(13)	10.18.2	Amendment Agreement dated January 3, 2001 to the June 15, 2000 Subscription Agreement.
(14)	10.18.3	Amendment Agreement dated October 5, 2001 to the June 15, 2000 Subscription Agreement.
(8)	10.19	Note Purchase Agreement dated as of August 10, 2000.
(11)	10.19.1	Fifth Amendment Agreement dated as of December 28, 2000 to June 25, 1996 Note Purchase Agreement, November 19, 1997 Note Purchase Agreement and August 10, 2000 Note Purchase Agreement.
(12)	10.19.2	First Supplemental Note Purchase Agreement dated as of May 24, 2001 to the August 10, 2000 Note Purchase Agreement.
(22)	10.19.3	Sixth Amendment Agreement dated as of December 28, 2000 to June 25, 1996 Note Purchase Agreement, November 19, 1997 Note Purchase Agreement and August 10, 2000 Note Purchase Agreement.
(15)	10.26	Assignment, Conveyance and Assumption Agreement between U.S. Propane, L.P. and Heritage Holdings, Inc., as the former General Partner of Heritage Propane Partners, L.P. dated as of February 4, 2002.
(15)	10.27	Assignment, Conveyance and Assumption Agreement between U.S. Propane, L.P. and Heritage Holdings, Inc., as the former General Partner of Heritage Operating, L.P., dated as of February 4, 2002.
(18)	10.28	Assignment for Contribution of Assets in Exchange for Partnership Interest dated December 9, 2002 amount V-1 Oil Co., the shareholders of V-1 Oil Co., Heritage Propane Partners, L.P. and Heritage Operating, L.P.
(19)	10.30	Acquisition Agreement dated November 6, 2003 among the owners of U.S. Propane, L.P. and U.S. Propane, L.L.C. and La Grange Energy, L.P.
(19)	10.31	Contribution Agreement dated November 6, 2003 among La Grange Energy, L.P. and Heritage Propane Partners, L.P. and U.S. Propane, L.P.
(20)	10.31.1	Amendment No. 1 dated December 7, 2003 to Contribution Agreement dated November 6, 2003 among La Grange Energy, L.P. and Heritage Propane Partners, L.P. and U.S. Propane, L.P.
(19)	10.32	Stock Purchase Agreement dated November 6, 2003 among the owners of Heritage Holdings, Inc. and Heritage Propane Partners, L.P.
(23)	10.35	Purchase and Sale Agreement between TXU Fuel Company and Energy Transfer Partners, L.P. dated April 25, 2004.
(23)	10.35.1	First Amendment to Purchase and Sale Agreement and Closing Agreement between TXU Fuel Company and Energy Transfer Partners, L.P. dated June 1, 2004.
(24)	10.36	Third Amended and Restated Credit Agreement among Heritage Operating L.P. and the Banks dated March 31, 2004.
(30)	10.40	Credit Agreement, dated January 18, 2005, among Energy Transfer Partners, L.P., Wachovia Bank, National Association, as administrative agent, LC issuer and swingline lender, Fleet National Bank, as syndication agent, BNP Paribas and The Royal Bank of Scotland, PLC, as co-documentation agents, and other lenders party thereto.

	Exhibit Number		Description
(40)		10.40.1	First Amendment, dated as of February 24, 2005, to Credit Agreement, dated January 18, 2005, among Energy Transfer Partners, L.P., Wachovia Bank, National Association, as administrative agent, LC issuer and swingline lender, Fleet National Bank, as syndication agent, BNP Paribas and The Royal Bank of Scotland, PLC, as co-documentation agents, and other lenders party thereto.
(31)		10.41	Guaranty, dated January 18, 2005, by the Subsidiary Guarantors in favor of Wachovia Bank, National Association, as the administrative agent for the lenders.
(40)		10.41.1	Guaranty Supplement dated February 24, 2005.
(32)		10.42	Purchase and Sale Agreement, dated January 26, 2005, among HPL Storage, LP and AEP Energy Services Gas Holding Company II, L.L.C., as Sellers and La Grange Acquisition, L.P., as Buyer.
(33)		10.43	Cushion Gas Litigation Agreement, dated January 26, 2005, by and among AEP Energy Services Gas Holding Company II, L.L.C. and HPL Storage LP, as Sellers, and La Grange Acquisition, L.P., as Buyer, and AEP Asset Holdings LP, AEP Leaseco LP, Houston Pipe Line Company, LP and HPL Resources Company LP, as Companies.
(36)		10.44	Loan Agreement, dated as of January 26, 2005 between La Grange Acquisition, L.P., as Borrower, and La Grange Energy, L.P., as Lender.
(53)	**	10.45	Summary of Director Compensation.
(44)		10.46	Credit Agreement, effective as of December 13, 2005, among the Partnership, Wachovia Bank, National Association as administrative agent, LC issuer and swingline lender, Bank of America, N.A. and Citibank, N.A., as co-syndication agents. BNP Paribas and The Royal Bank of Scotland PLC New York Branch, as co-documentation agents, and the other lenders party thereto.
(45)		10.47	Guaranty, effective as of December 13, 2005, by the Subsidiary Guarantors in favor of Wachovia Bank, National Association, as administrative agent for the lenders.
(48)		10.48	Credit Agreement dated as of May 31, 2006, among Energy Transfer Partners, L.P., as the Borrower, Credit Suisse, Cayman Islands Branch as administrative agent, and the other lenders party hereto Credit Suisse Securities (USA) LLC and Banc of America Securities, LLC, as joint lead arrangers and co-documentation and syndication agents.
(48)		10.49	Amended and Restated Credit Agreement dated as of June 29, 2006, among Energy Transfer Partners, L.P., as the Borrower, Wachovia Bank, National Association as administrative agent, LC issuer and swingline lender, Bank of America, N.A. and Citibank, N.A. as co-syndication agents, BNP Paribas and The Royal Bank of Scotland, plc, as co-documentation agents, Deutsche Bank Securities, Inc., Credit Suisse, Cayman Islands Branch, UBS Securities, LLC, JPMorgan Chase Bank, N.A. and SunTrust Bank as senior managing agents and the other lenders party hereto Wachovia Capital Markets, LLC as sole lead arranger and sole book manager.
(54)		10.49.1	First Amendment to Amended and Restated Credit Agreement, dated as of February 21, 2007, among Energy Transfer Partners, L.P. and Wachovia Bank, National Association, as the Administrative Agent under the Amended and Restated Credit Agreement, dated as of June 29, 2006, among Energy Transfer Partners, L.P., as the Borrower, and the other parties thereto.
(48)		10.50	Guarantee for the Amended and Restated Credit Agreement dated as of June 29, 2006.
(50)		10.51	Purchase and Sale Agreement, dated as of September 14, 2006, among Energy Transfer Partners, L.P. and EFS-PA, LLC (a/k/a GE Energy Financial Services), CDPQ Investments (U.S.), Inc., Lake Bluff, Inc., Merrill Lynch Ventures, L.P. and Kings Road Holdings I, LLC.
(51)		10.52	Redemption Agreement, dated September 14, 2006, between Energy Transfer Partners, L.P. and CCE Holdings, LLC.

	Exhibit Number	Description
(52)	10.53	Letter Agreement, dated September 14, 2006, between Energy Transfer Partners, L.P. and Southern Union Company.
(53)	10.54	Fourth Amended and Restated Credit Agreement dated as of August 31, 2006 between and among Heritage Operating L.P., as the Borrower, and the Banks now or hereafter signatory parties hereto, as lenders "Banks" and Bank of Oklahoma, National Association as administrative agent and joint lead arranger for the Banks, JPMorgan Chase Bank, N.A., as syndication agent for the Banks, and J.P. Morgan Securities Inc., as joint lead arranger for the Banks.
(*)	10.55	Note Purchase Agreement, dated as of November 17, 2004, by and among Transwestern Pipeline Company, LLC and the Purchasers parties thereto.
(*)	10.55.1	Amendment No. 1 to the Note Purchase Agreement, dated as of April 18, 2007, by and among Transwestern Pipeline Company, LLC and the Purchasers parties thereto.
(*)	10.56	Note Purchase Agreement, dated as of May 24, 2007, by and among Transwestern Pipeline Company, LLC and the Purchasers parties thereto.
(54)	21.1	List of Subsidiaries.
(*)	31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(*)	31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(*)	32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
(*)	32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.
** Denotes a management contract or compensatory plan or arrangement.
(1) Incorporated by reference to the same numbered Exhibit to Registrant's Registration Statement of Form S-1, File No. 333-04018, filed with the Commission on June 21, 1996.
(2) Incorporated by reference to the same numbered Exhibit to Registrant's Form 10-Q for the quarter ended November 30, 1996.
(3) Incorporated by reference to the same numbered Exhibit to Registrant's Form 10-Q for the quarter ended February 28, 1997.
(4) Incorporated by reference to the same numbered Exhibit to Registrant's Form 10-Q for the quarter ended May 31, 1998.
(5) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-K for the year ended August 31, 1998.
(6) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-K for the year ended August 31, 1999.
(7) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended May 31, 2000.
(8) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 8-K dated August 23, 2000.
(9) File as Exhibit 10.16.3.
(10) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-K for the year ended August 31, 2000.

(11) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended February 28, 2001.
(12) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended May 31, 2001.
(13) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-K for the year ended August 31, 2001.
(14) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended November 30, 2001.
(15) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended February 28, 2002.
(16) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended May 31, 2002.
(17) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 8-K dated February 4, 2002.
(18) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 8-K dated January 6, 2003.
(19) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended May 31, 2003.
(20) Incorporated by reference to the same numbered Exhibit to Registrant's Form 10-Q for the quarter ended November 30, 2003.
(21) Incorporated by reference as the same numbered exhibit to the Registrant's Form 10-Q for the quarter ended February 29, 2004.
(22) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended February 29, 2004.
(23) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 8-K filed June 14, 2004.
(24) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended May 31, 2004.
(25) Incorporated by reference to Annex A of the Registrant's Schedule 14A Proxy Statement filed May 18, 2004.
(26) Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed November 1, 2004.
(27) Incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K filed January 19, 2005.
(28) Incorporated by reference to Exhibit 4.2 to the Registrant's Form 8-K filed January 19, 2005.
(29) Incorporated by reference to Exhibit 4.3 to the Registrant's Form 8-K filed January 19, 2005.
(30) Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed January 19, 2005.
(31) Incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K filed January 19, 2005.
(32) Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed February 1, 2005.
(33) Incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K filed February 1, 2005.

(34) Incorporated by reference to Exhibit 3.1.7 to the Registrant's Form 8-K filed March 16, 2005.
(35) Incorporated by reference to Exhibit 3.1.8 to the Registrant's Form 8-K filed February 9, 2006.
(36) Incorporated by reference to Exhibit 10.3 to the Registrant's Form 8-K filed March 17, 2005.
(37) Incorporated by reference to Exhibit 10.45 to the Registrant's Form 10-Q for the quarter ended February 28, 2005.
(39) Incorporated by reference to Exhibit 10.39.1 to the Registrant's Form 10-Q for the quarter ended February 28, 2005.
(40) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended February 28, 2005.
(41) Incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K filed August 2, 2005.
(42) Incorporated by reference to Exhibit 4.2 to the Registrant's Form 8-K filed August 2, 2005.
(43) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-K/A for the year ended August 31, 2005.
(44) Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed December 16, 2005.
(45) Incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K filed December 16, 2005.
(46) Incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K filed October 25, 2006.
(47) Incorporated by reference to Exhibit 3.1.10 to the Registrant's Form 8-K filed November 3, 2006.
(48) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended May 31, 2006.
(49) Incorporated by reference to Exhibit 3.1.9 to the Registrant's Form 8-K filed May 3, 2006.
(50) Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed September 18, 2006.
(51) Incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K filed September 18, 2006.
(52) Incorporated by reference to Exhibit 10.3 to the Registrant's Form 8-K filed September 18, 2006.
(53) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-K for the year ended August 31, 2006.
(54) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended February 28, 2007.

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 thereunto duly authorized.

ENERGY TRANSFER PARTNERS, L.P.

By: Energy Transfer Partners GP, L.P.,
its General Partner

By: Energy Transfer Partners, L.L.C., its General Partner

Date: July 10, 2007

By: /s/ Brian J. Jennings
Brian J. Jennings
(Chief Financial Officer duly authorized to sign on behalf of the registrant)

Exhibit 3.5

THIRD AMENDED AND RESTATED

AGREEMENT OF LIMITED PARTNERSHIP

OF

ENERGY TRANSFER PARTNERS GP, L.P.

a Delaware limited partnership

April 17, 2007

THIRD AMENDED AND RESTATED
AGREEMENT OF LIMITED PARTNERSHIP
OF
ENERGY TRANSFER PARTNERS GP, L.P.

TABLE OF CONTENTS

ARTICLE X
OTHER PROVISIONS

THIRD AMENDED AND RESTATED

AGREEMENT OF LIMITED PARTNERSHIP

OF

ENERGY TRANSFER PARTNERS GP, L.P.

This Third Amended and Restated Agreement of Limited Partnership (this "*Agreement*") of Energy Transfer Partners GP, L.P. (the "*Partnership*"), dated as of April 17, 2007 (the "*Effective Date*"), is entered into by and among Energy Transfer Partners, L.L.C., a Delaware limited liability company, as the General Partner and Energy Transfer Equity, L.P., a Delaware limited partnership ("*ETE*"), as the Limited Partner.

RECITALS

1. The General Partner and AGL Propane, Inc., a Georgia corporation, Peoples Gas Company, a Florida corporation, Piedmont Propane Company, a North Carolina corporation, and United Cities Propane Gas, Inc., a Tennessee corporation (the "*Organizational Partners*"), formed the Partnership pursuant to the Agreement of Limited Partnership of U.S. Propane, L.P. (the "*Original Agreement*") dated as of March 3, 2000 (the "*Formation Date*") and a Certificate of Limited Partnership filed with the Secretary of State of the State of Delaware on such date (the "*Delaware Certificate*").

2. Effective as of August 10, 2000, the Original Agreement was amended and restated in its entirety (the "*First Amended Partnership Agreement*") to reflect contributions of the Initial Limited Partners (as defined in the Amended Partnership Agreement) to the Partnership and certain other matters, all as provided therein.

3. Effective as of January 20, 2004, ETE acquired all of the interests in the Partnership and the General Partner from the Initial Limited Partners for $30.0 million (the "*General Partner Transaction*").

4. Effective as of February 8, 2006, the First Amended Partnership Agreement was amended and restated in its entirety by the Second Amended and Restated Agreement of Limited Partnership (the "*Second Amended Partnership Agreement*"), and effective as of February 8, 2006, the Partnership issued Class B Limited Partner interests to Energy Transfer Investments, L.P., a Delaware limited partnership ("*ETI*").

5. Effective as of November 1, 2006, ETI contributed all of its Class B Limited Partner Interests to ETE.

6. The Partnership desires to amend and restate the Second Amended Partnership Agreement.

The Partners hereby agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1 *Definitions*. As used in this Agreement, the following terms have the respective meanings set forth below or set forth in the Sections referred to below (and grammatical variations of such terms have correlative meanings):

"*Act*" means the Delaware Revised Uniform Limited Partnership Act, 6 Del. C. §17-101, et seq.

"*Adjusted Capital Account*" means the Capital Account maintained for each Partner as of the end of each Tax Year of the Partnership, (a) increased by any amounts that such Partner is obligated to restore under the standards set forth by Treasury Regulation Section 1.704-1(b)(2)(ii)(c) (or is deemed obligated to restore under Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5)), and (b) decreased by (i) the amount of all losses and deductions that, as of the end of such Tax Year, are reasonably expected to be allocated to such Partner in subsequent Tax Years under Sections 704(e)(2) and 706(d) of the Code and Treasury Regulation Section 1.751-1(b)(2)(ii), and (ii) the amount of all distributions that, as of the end of such Tax Year, are reasonably expected to be made to such Partner in subsequent Tax Years in accordance with the terms of this Agreement, or otherwise to the extent they exceed offsetting increases to such Partner's Capital Account that are reasonably expected to occur during (or prior to) the Tax Year in which such distributions are reasonably expected to be made (other than increases as a result of a minimum gain chargeback pursuant to Section 5.2(d)(i) or 5.2(d)(ii)). This definition of Adjusted Capital Account is intended to comply with the provisions of Treasury Regulation Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

"*Adjusted Property*" means any property the Carrying Value of which has been adjusted pursuant to Section 5.1(d) or Section 5.1(e).

"*Affiliate*" means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with, the Person in question. As used herein, the term "*control*" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"*Agreed Allocation*" means an allocation of an item of income, gain, deduction or loss pursuant to Section 5.2(a), (b) or (c).

"*Agreed Value*" means with respect to any Contributed Property, the fair market value of such property or other consideration at the time of contribution as determined by the General Partner using such reasonable method of valuation as it may adopt. The General Partner shall, in its discretion, use such method as it deems reasonable and appropriate to allocate the aggregate Agreed Value of Contributed Properties contributed to the Partnership in a single or integrated transaction among each separate property.

"*Agreement*" is defined in the introductory paragraph.

"*Applicable Law*" means any Law to which a specified Person or property is subject.

"*Bankruptcy*" means, with respect to any Person, (a) such Person (i) makes a general assignment for the benefit of creditors; (ii) files a voluntary bankruptcy petition; (iii) becomes the subject of an order for relief or is declared insolvent in any federal or state bankruptcy or insolvency proceedings; (iv) files a petition or answer seeking for such Person a reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any Law; (v) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against such Person in a proceeding of the type described in subclauses (i) through (iv) of this clause (a); or (vi) seeks, consents to, or acquiesces in the appointment of a trustee, receiver, or liquidator of such Person or of all or any substantial part of such Person's properties; or (b) a proceeding against such Person seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any Law has been commenced and 120 days have expired without dismissal thereof or with respect to which, without such Person's consent or acquiescence, a trustee, receiver, or liquidator of such Person or of all or any substantial part of such Person's properties has been appointed and 90 days have expired without the appointment having been vacated or stayed, or 90 days have expired after the date of expiration of a stay, if the appointment has not previously been vacated.

"*Board*" means, with respect to the Board of Directors of the General Partner, its board of directors or managers, as applicable, if a corporation or limited liability company, or if a limited partnership, the board of directors or board of managers of the general partner of the General Partner.

"*Book-Tax Disparity*" means, with respect to any item of Contributed Property or Adjusted Property, as of the date of any determination, the difference between the Carrying Value of such Contributed Property or Adjusted Property and the adjusted basis thereof for federal income tax purposes as of such date. A Partner's share of the Partnership's Book-Tax Disparities in all of its Contributed Property and Adjusted Property shall be reflected by the difference between such Partner's Capital Account balance as maintained pursuant to Section 5.1 and the hypothetical balance of such Partner's Capital Account computed as if it had been maintained in accordance with federal income tax accounting principles.

"*Business Day*" means Monday through Friday of each week, except that a legal holiday recognized as such by the government of the United States of America or the states of New York or Texas shall not be regarded as a Business Day.

"*Capital Account*" means the capital account maintained for a Partner pursuant to Section 5.1. The "*Capital Account*" of a Partner in respect of a General Partner Interest, Class A Limited Partner Interest, Class B Limited Partner Interest or any other Partnership Interest shall be the amount that such Capital Account would be if such General Partner Interest, Class A Limited Partner Interest, Class B Limited Partner Interest or other Partnership Interest were the only interest in the Partnership held by a Partner from and after the date on which such General Partner Interest, Class A Limited Partner Interest, Class B Limited Partner Interest or other Partnership Interest was first issued.

"*Capital Contribution*" means, with respect to any Partner, the amount of cash, cash equivalents or the Net Agreed Value of Contributed Property that a Partner contributes to the Partnership pursuant to this Agreement.

"*Carrying Value*" means (a) with respect to a Contributed Property, the Agreed Value of such property reduced (but not below zero) by all depreciation, amortization, and cost recovery deductions charged to the Partners' Capital Accounts in respect of such Contributed Property, and (b) with respect to any other Partnership Assets, the adjusted basis of such property for federal income tax purposes, all as of the time of determination. The Carrying Value of any property shall be adjusted from time to time in accordance with Sections 5.1(d) and 5.1(e) and to reflect changes, additions, or other adjustments to the Carrying Value for dispositions and acquisitions of Partnership properties, as approved by the General Partner.

"*Certificate*" means a certificate (i) substantially in the form of Exhibit B to this Agreement with respect to the Class A Limited Partner Interest, (ii) substantially in the form of Exhibit C to this Agreement with respect to the Class B Limited Partner Interest or (iii) in such other form as may be adopted by the General Partner, issued by the Partnership evidencing ownership of one or more other Partnership Securities.

"*Claim*" means any and all judgments, claims, causes of action, demands, lawsuits, suits, proceedings, Governmental investigations or audits, losses, assessments, fines, penalties, administrative orders, settlements, obligations, costs, expenses, liabilities (joint or several) and damages (whether actual, consequential or punitive), including interest, penalties, reasonable attorney's fees, disbursements and costs of investigations, deficiencies, levies and duties or other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative.

"*Class A Limited Partner Interest*" means a Partner Interest representing a fractional part of the Partner Interests of all Limited Partners, and having the rights and obligations specified with respect to Class A Limited Partner Interest in this Agreement.

"*Class A Limited Partners*" shall mean the holders of Class A Limited Partner Interest that have been admitted as Limited Partners of the Company.

"*Class B Limited Partner Interest*" means a Partner Interest representing a fractional part of the Partner Interests of all Limited Partners, and having the rights and obligations specified with respect to Class B Limited Partner Interest in this Agreement.

"*Class B Limited Partners*" shall mean the holders of Class B Limited Partner Interest that have been admitted as Limited Partners of the Company.

"*Code*" means the Internal Revenue Code of 1986, as amended and in effect from time to time. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to a corresponding provision of any successor law.

"*Confidential Information*" means all information and data relating to the Partnership or its Affiliates (other than a Partner), including proposed strategic business plans, financial information, business opportunities, pro forma information and employee matters.

"*Contributed Property*" means each property or other asset, in such form as may be permitted by the Act, but excluding cash or cash equivalents, contributed or deemed contributed to the Partnership. Once the Carrying Value of a Contributed Property is adjusted pursuant to Section 5.1(d) or 5.1(e), such property shall no longer constitute a Contributed Property, but shall be deemed an Adjusted Property.

"*Curative Allocation*" means any allocation of an item of income, gain, deduction, loss or credit pursuant to the provisions of Section 5.2(d)(x).

"*Delaware Certificate*" is defined in Recital 1.

"*Dissolution Event*" is defined in Section 8.1(a).

"*Economic Risk of Loss*" is defined in Treasury Regulation Section 1.752-2(a).

"*Effective Date*" is defined in the introductory paragraph.

"*Encumber*," "*Encumbering*" or "*Encumbrance*" means the creation of a security interest, lien, pledge, mortgage or other encumbrance, whether such encumbrance be voluntary, involuntary or by operation of Law.

"*Fiscal Year*" is defined in Section 7.1(c).

"*Formation Date*" is defined in Recital 1.

"*General Partner*" means Energy Transfer Partners, L.L.C., a Delaware limited liability company, and its successors and permitted assigns that are admitted to the Partnership as general partner of the Partnership (except as the context otherwise requires).

"*General Partner Interest*" means the ownership interest, if any, of the General Partner in the Partnership (in its capacity as a general partner without reference to any Limited Partner Interest held by it), which includes any and all benefits to which a General Partner is entitled as provided in this Agreement, together with all obligations of a General Partner to comply with the terms and provisions of this Agreement.

"*Governmental Authority*" (or "*Governmental*") means a federal, state, local or foreign governmental authority; a state, province, commonwealth, territory or district thereof; a county or parish; a city, town, township, village or other municipality; a district, ward or other subdivision of any of the foregoing; any executive, legislative or other governing body of any of the foregoing; any agency, authority, board, department, system, service, office, commission, committee, council or other administrative body of any of the foregoing; any court or other judicial body; and any officer, official or other representative of any of the foregoing.

"*GP Available Cash*" means, with respect to any quarter:

(a) the sum of (i) the GP Distribution Amount with respect to such quarter, (ii) the amount of any GP Reserve Quarterly Decrease with respect to such quarter and (iii) the amount of any interest or investment proceeds received by the Partnership with respect to such quarter attributable to the investment or deposit by the Partnership of the GP Distribution Amount or Reserves into an investment account or interest bearing account, less

(b) the amount of (i) any GP Reserve Quarterly Increase with respect to such quarter and (ii) any expenses incurred by the Partnership (other than expenses incurred by the Partnership in its capacity as the general partner of the MLP for which the Partnership is entitled to be reimbursed under the MLP Partnership Agreement) with respect to such quarter multiplied by a fraction, the numerator of which is the GP Distribution Amount with respect to such quarter and the denominator of which is the sum of the GP Distribution Amount with respect to such quarter and the IDR Distribution Amount with respect to such quarter.

"*GP Distribution Amount*" means, with respect to any quarter, all distributions received by the Partnership from the MLP with respect to the MLP General Partner Interest. The GP Distribution Amount with respect to any quarter shall not include (a) distributions received by the Partnership from the MLP with respect to Incentive Distribution Rights and (b) the amount of any payments received by the Partnership from the MLP as reimbursement of expenses incurred by the Partnership in its capacity as the general partner of the MLP.

"*GP Reserve Quarterly Decrease*" means, with respect to any quarter, any decrease in total Reserves with respect to such quarter.

"*GP Reserve Quarterly Increase*" means, with respect to any quarter, any increase in total Reserves with respect to such quarter.

"*Group Member*" means a member of the Partnership Group.

"*IDR Available Cash*" means, with respect to any quarter:

(a) the sum of (i) the IDR Distribution Amount with respect to such quarter and (ii) the amount of any interest or investment proceeds received by the Partnership with respect to such quarter attributable to the investment or deposit by the Partnership of the IDR Distribution Amount into an investment account or interest bearing account, less

(b) the amount of any expenses incurred by the Partnership (other than expenses incurred by the Partnership in its capacity as the general partner of the MLP for which the Partnership is entitled to be reimbursed under the MLP Partnership Agreement) with respect to such quarter multiplied by a fraction, the numerator of which is the IDR Distribution Amount with respect to such quarter and the denominator of which is the sum of the IDR Distribution Amount with respect to such quarter and the GP Distribution Amount with respect to such quarter.

"*IDR Distribution Amount*" with respect to any quarter, all distributions received by the Partnership from the MLP with respect to the Incentive Distribution Right. The IDR Distribution Amount with respect to any quarter shall not include the amount of any payments received by the Partnership from the MLP as reimbursement of expenses incurred by the Partnership in its capacity as the general partner of the MLP.

"*Incentive Distribution Right*" has the meaning set forth in the MLP Partnership Agreement.

"*including*" means including, without limitation.

"*Indemnitee*" means (a) the General Partner, (b) any Person who is or was an Affiliate of the General Partner, (c) any Person who is or was a member, partner, officer, director, fiduciary or trustee of the General Partner or any Affiliate of the General Partner, (d) any Person who is or was serving at the request of the General Partner or any Affiliate of the General Partner as an officer, director, employee, member, partner, agent, fiduciary or trustee of another Person; *provided*, that a Person shall not be an Indemnitee by reason of providing, on a fee-for-services basis, trustee, fiduciary or custodial services and (e) any Person the General Partner designates as an "*Indemnitee*" for purposes of this Agreement.

"*Law*" means any applicable constitutional provision, statute, act, code (including the Code), law, regulation, rule, ordinance, order, decree, ruling, proclamation, resolution, judgment, decision, declaration, or interpretative or advisory opinion or letter of a Governmental Authority having valid jurisdiction.

"*Limited Partner Interest*" means the ownership interest of a Limited Partner in the Partnership, including a Class A Limited Partner Interest and a Class B Limited Partner Interest, and includes any and all benefits to which such Limited Partner is entitled as provided in this Agreement, together with all obligations of such Limited Partner to comply with the terms and provisions of this Agreement.

"*Limited Partners*" means, unless the context otherwise requires, each Initial Limited Partner, each Class A Limited Partner and each Class B Limited Partner, in each case, in such Person's capacity as a limited partner of the Partnership.

"*Liquidation Date*" means the date on which a Dissolution Event arises pursuant to Section 8.1.

"*Liquidator*" is defined in Section 8.2(a).

"*LLC Agreement*" means the limited liability company agreement of the General Partner.

"*Merger*" means the merger of the Partnership with or into any other Person that involves a Change of Control of the Partnership.

"*MLP*" means Energy Transfer Partners, L.P., a Delaware limited partnership.

"*MLP General Partner Interest*" means the ownership interest, if any, of the Partnership in the MLP (in its capacity as a general partner without reference to any Limited Partner Interest held by it), and includes any and all benefits to which the Partnership is entitled as provided in this Agreement, together with all obligations of the Partnership to comply with the terms and provisions of this Agreement.

"*MLP Partnership Agreement*" means the amended and restated agreement of limited partnership of the MLP, as amended to date.

"*Net Agreed Value*" means (a) in the case of any Contributed Property, the Agreed Value of such property reduced by any liabilities either assumed by the Partnership upon such contribution or to which such property is subject when contributed as set forth on Exhibit A, and (b) in the case of any property distributed to a Partner by the Partnership, the Partnership's Carrying Value of such property (as adjusted pursuant to Section 5.1(e)) at the time such property is distributed, reduced by any indebtedness either assumed by such Partner upon such distribution or to which such property is subject at the time of distribution, in either case, as determined under Section 752 of the Code.

"*Net Income*" means, for any Tax Year, the excess, if any, of the Partnership's items of income and gain (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such Tax Year over the Partnership's items of loss and deduction (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such Tax Year. The items included in the calculation of Net Income shall be determined in accordance with Section 5.1(b) and shall not include any items specially allocated under Section 5.2(d).

"*Net Loss*" means, for any Tax Year, the excess, if any, of the Partnership's items of loss and deduction (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such Tax Year over the Partnership's items of income and gain (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such Tax Year. The items included in the calculation of Net Loss shall be determined in accordance with Section 5.1(b) and shall not include any items specially allocated under Section 5.2(d).

"*Net Termination Gain*" means the sum, if positive, of all items of income, gain, loss or deduction recognized by the Partnership for the Tax Year that includes the Liquidation Date and all Tax Years thereafter. The items included in the determination of Net Termination Gain shall be determined in accordance with Section 5.1(b) and shall not include any items of income, gain or loss specially allocated under Section 5.2(d).

"*Net Termination Loss*" means the sum, if negative, of all items of income, gain, loss or deduction recognized by the Partnership for the Tax Year that includes the Liquidation Date and all Tax Years thereafter. The items included in the determination of Net Termination Loss shall be determined in accordance with Section 5.1(b) and shall not include any items of income, gain or loss specially allocated under Section 5.2(d).

"*Nonrecourse Built-in Gain*" means with respect to any Contributed Properties or Adjusted Properties that are subject to a mortgage or pledge securing a Nonrecourse Liability, the amount of any taxable gain that would be allocated to the Partners pursuant to Sections 5.3(b)(i)(A), 5.3(b)(ii)(A) and 5.3(b)(iii) if such properties were disposed of in a taxable transaction in full satisfaction of such liabilities and for no other consideration.

"*Nonrecourse Deductions*" means any and all items of loss, deduction or expenditures (described in Section 705(a)(2)(B) of the Code) that, in accordance with the principles of Treasury Regulation Section 1.704-2(b), are attributable to a Nonrecourse Liability.

"*Nonrecourse Liability*" is defined in Treasury Regulation Section 1.752-1(a)(2).

"*Opinion of Counsel*" means a written opinion of counsel (which may be regular counsel to the Partnership or the General Partner or any of their Affiliates) acceptable to the General Partner in its reasonable discretion.

"*Organizational Partners*" is defined in the recitals.

"*Original Agreement*" is defined in Recital 1.

"*Partner*" means either the General Partner or any Limited Partner, or any Person hereafter admitted to the Partnership as a general or limited partner as provided in this Agreement, but such term does not include any Person who has ceased to be a general or limited partner in the Partnership.

"*Partner Interest*" means the ownership interest of a Partner in the Partnership, and includes any and all benefits to which such Partner is entitled as provided in this Agreement, together with all obligations of such Partner to comply with the terms and provisions of this Agreement.

"*Partner Nonrecourse Debt*" is defined in Treasury Regulation Section 1.704-2(b)(4).

"*Partner Nonrecourse Debt Minimum Gain*" is defined in Treasury Regulation Section 1.704-2(i)(2).

"*Partner Nonrecourse Deductions*" means any and all items of loss, deduction or expenditure (including, without limitation, any expenditure described in Section 705(a)(2)(B) of the Code) that, in accordance with the principles of Treasury Regulation Section 1.704-2(i), are attributable to Partner Nonrecourse Debt.

"*Partnership*" is defined in the introductory paragraph.

"*Partnership Assets*" means the assets and properties of the Partnership and its Subsidiaries of every kind, character and description, whether tangible, intangible, real, personal or mixed, and wherever located.

"*Partnership Group*" means the Partnership and any Subsidiary of the Partnership, treated as a single consolidated entity.

"*Partnership Minimum Gain*" means that amount determined in accordance with the principles of Treasury Regulation Section 1.704-2(d).

"*Partnership Security*" means any class or series of equity interest in the Partnership (but excluding any options, rights, warrants and appreciation rights relating to an equity interest in the Partnership), including without limitation, Class A Limited Partner Interests and Class B Limited Partner Interests.

"*Person*" means the meaning assigned to that term in Section 17-101(13) of the Act and also includes a Governmental Authority and any other entity.

"Pro Rata" means (a) when modifying Class A Limited Partners, apportioned among all Class A Limited Partners in accordance with their relative Sharing Ratio with respect to Class A Limited Partner Interest and (b) when modifying Class B Limited Partners, apportioned among all Class B Limited Partners in accordance with their relative Sharing Ratio with respect to Class A Limited Partner Interest.

"*Quarter*" means, unless the context requires otherwise, a fiscal quarter of the Partnership.

"*Recapture Income*" means any gain recognized by the Partnership (computed without regard to any adjustment required by Section 734 or 743 of the Code) upon the disposition of any property or asset of the Partnership, which gain is characterized as ordinary income because it represents the recapture of deductions previously taken with respect to such property or asset.

"*Record Holder*" means a Person in whose name a Limited Partner Interest is registered on the books of the Partnership as of the opening of business on a particular Business Day.

"*Required Allocation*" means any allocation (or limitation imposed on an allocation) of an item of income, gain, deduction or loss pursuant to Sections 5.2(d)(i), (ii), (iii), (vii) and (ix).

"*Reserves*" means the amount of reserves determined by the Board to provide for the future conduct of the business of the Partnership, including to provide for any future capital contributions to, or other investments in, the MLP. In determining the amount of reserves, the Board shall exclude the amount of any anticipated expenses of the Partnership in its capacity as the general partner of the MLP for which the Partnership is entitled to be reimbursed pursuant to the MLP Partnership Agreement.

"*Residual Gain*" or "*Residual Loss*" means any item of gain or loss, as the case may be, of the Partnership recognized for federal income tax purposes resulting from a sale, exchange, or other disposition of a Contributed Property or Adjusted Property, to the extent such item of gain or loss is not allocated pursuant to Section 5.3(b)(i)(A) or 5.3(b)(ii)(A) to eliminate Book-Tax Disparities.

"*Sharing Ratio*" means the percentage specified for a Partner as its Sharing Ratio on Exhibit A (subject to any adjustments or amendments in accordance with this Agreement, in connection with a Transfer or purchase of a Partner Interest or in connection with any issuance of Partner Interests).

"*Subsidiary*" means, with respect to any Person, (a) a corporation of which more than 50% of the voting power of shares entitled (without regard to the occurrence of any contingency) to vote in the election of directors or other governing body of such corporation is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such

Person or a combination thereof, (b) a partnership (whether general or limited) in which such Person or a Subsidiary of such Person is, at the date of determination, a general or limited partner of such partnership, but only if more than 50% of the partnership interests of such partnership (considering all of the partnership interests of the partnership as a single class) is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person, or a combination thereof, or (c) any other Person (other than a corporation or a partnership) in which such Person, one or more Subsidiaries of such Person, or a combination thereof, directly or indirectly, at the date of determination, has (i) at least a majority ownership interest or (ii) the power to elect or direct the election of a majority of the directors or other governing body of such Person.

"*Tax Year*" means the taxable year of the Partnership for federal income tax purposes.

"*Term*" is defined in Section 2.6.

"*Transfer*," when used in this Agreement with respect to a Partnership Interest, shall be deemed to refer to a transaction (i) by which the General Partner assigns its General Partner Interest to another Person, and includes a sale, assignment, gift, pledge, encumbrance, hypothecation, mortgage, exchange, or any other disposition by law or otherwise or (ii) by which the holder of a Limited Partner Interest assigns such Limited Partner Interest to another Person who is or becomes a Limited Partner, and includes a sale, assignment, gift, exchange or any other disposition by law or otherwise, including any transfer upon foreclosure of any pledge, encumbrance, hypothecation or mortgage.

"*Treasury Regulations*" means the Income Tax Regulations promulgated under the Code.

"*Unrealized Gain*" attributable to any item of Partnership Assets means, as of any date of determination, the excess, if any, of (a) the fair market value of such property as of such date (as determined under Section 5.1(d) or 5.1(e)), over (b) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 5.1(d) or 5.1(e) as of such date).

"*Unrealized Loss*" attributable to any item of Partnership Assets means, as of any date of determination, the excess, if any, of (a) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 5.1(d) or 5.1(e) as of such date) over (b) the fair market value of such property as of such date (as determined under Section 5.1(d) or 5.1(e)).

"*U.S. GAAP*" means generally accepted accounting principles as in effect in the United States of America on the applicable date.

Other terms defined herein have the meanings so given them.

Section 1.2 *Construction*.

Unless the context requires otherwise: (a) the gender (or lack of gender) of all words used in this Agreement includes the masculine, feminine, and neuter; (b) the term "include" or "includes" means "includes, without limitation," and "including" means "including, without

limitation;" (c) references to Articles and Sections refer to Articles and Sections of this Agreement; (d) references to Exhibits refer to the Exhibits attached to this Agreement, which are made a part hereof for all purposes; (e) references to Laws refer to such Laws as they may be amended from time to time, and references to particular provisions of a Law include any corresponding provisions of any succeeding Law; and (f) references to money refer to legal currency of the United States of America.

ARTICLE II
ORGANIZATION

Section 2.1 *Formation; Continuation; Amendment and Restatement*. The Partnership was formed as a Delaware limited partnership by the filing of the Delaware Certificate, as of the Formation Date. The Partners ratify the organization and formation of the Partnership and continue the Partnership, pursuant to the terms and conditions of this Agreement. This Agreement amends and restates in its entirety and supersedes the Amended Partnership Agreement, which shall have no further force or effect. The rights and liabilities of the Partners shall be as provided in the Act, except as may be expressly provided otherwise in this Agreement. All Partnership Interests shall constitute personal property of the owner thereof for all purposes.

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

Section 2.3 *Registered Office; Registered Agent; Principal Office in the United States; Other Offices*. Unless and until changed by the General Partner, the registered office of the Partnership in the State of Delaware shall be located at 1209 Orange Street, Suite 400, Wilmington, Delaware 19801, and the registered agent for service of process on the Partnership in the State of Delaware at such registered office shall be The Corporation Trust Company. The principal office of the Partnership shall be located at 2838 Woodside Street, Dallas, Texas 75204 or such other place as the General Partner may from time to time designate by notice to the Limited Partners. The Partnership may maintain offices at such other place or places within or outside the State of Delaware as the General Partner deems necessary or appropriate. The address of the General Partner shall be 2838 Woodside Street, Dallas, Texas 75204 or such other place as the General Partner may from time to time designate by notice to the Limited Partners.

Section 2.4 *Purposes*. The purpose and nature of the business to be conducted by the Partnership shall be to (a) engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any business activity that is approved by the General Partner and that lawfully may be conducted by a limited partnership organized pursuant to the Delaware Act and, in connection therewith, to exercise all of the rights and powers conferred upon the Partnership pursuant to the agreements

relating to such business activity; and (b) do anything necessary or appropriate to the foregoing, including the making of capital contributions or loans to a Group Member, provided, however, that the General Partner shall not cause the Partnership to engage, directly or indirectly, in any business activity that the General Partner determines would cause the Partnership to be treated as an association taxable as a corporation or otherwise taxable as an entity for federal income tax purposes. To the fullest extent permitted by law, the General Partner shall have no duty or obligation to propose or approve, and may decline to propose or approve, the conduct by the Partnership of any business, free of any fiduciary duty or obligation whatsoever to the Partnership or any Limited Partner and, in declining to so propose or approve, shall not be required to act in good faith or pursuant to any other standard imposed by this Agreement, any other agreement contemplated hereby or under the Delaware Act or any other law, rule or regulation or at equity.

Section 2.5 *Foreign Qualification*. Prior to the Partnership's conducting business in any jurisdiction other than the State of Delaware, the General Partner shall cause the Partnership to comply, to the extent procedures are available and those matters are reasonably within the control of the General Partner, with all requirements necessary to qualify the Partnership as a foreign limited partnership in that jurisdiction. At the request of the General Partner, each Partner shall execute, acknowledge, swear to and deliver all certificates and other instruments conforming with this Agreement that are necessary or appropriate to qualify, continue and terminate the Partnership as a foreign limited partnership in all such jurisdictions in which the Partnership may conduct business.

Section 2.6 *Term*. The period of existence of the Partnership (the "*Term*") commenced on the Formation Date and shall end at such time as a certificate of cancellation is filed with the Secretary of State of the State of Delaware in accordance with Section 8.3.

Section 2.7 *Powers*. The Partnership is empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described in Section 2.4 and for the protection and benefit of the Partnership.

Section 2.8 *Title to Partnership Assets*. Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partner, individually or collectively, shall have any ownership interest in such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the General Partner, one or more of its Affiliates or one or more nominees, as the General Partner may determine. The General Partner hereby declares and warrants that any Partnership assets for which record title is held in the name of the General Partner or one or more of its Affiliates or one or more nominees shall be held by the General Partner or such Affiliate or nominee for the use and benefit of the Partnership in accordance with the provisions of this Agreement; *provided*, *however*, that the General Partner shall use reasonable efforts to cause record title to such assets (other than those assets in respect of which the General Partner determines that the expense and difficulty of conveyancing makes transfer of record title to the Partnership impracticable) to be vested in the Partnership as soon as reasonably practicable; *provided*, *further*, that, prior to the withdrawal or removal of the General Partner or as soon thereafter as practicable, the General Partner shall use reasonable efforts to

effect the transfer to the Partnership of record title to all Partnership assets held by the General Partner or its Affiliates and, prior to any such transfer, will provide for the use of such assets in a manner satisfactory to the General Partner. All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which record title to such Partnership assets is held.

ARTICLE III
RIGHTS OF LIMITED PARTNERS AND GENERAL PARTNER; CERTIFICATES

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

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

Section 3.3 *Transfers of Limited Partner Interests*.

(a) *General Restriction*. Any Transfer of a Limited Partner Interest must be in accordance with the terms and conditions of this Agreement, and any attempted Transfer of a Limited Partner Interest that is not made in accordance with this Agreement shall be null and void and shall have no effect.

(b) *Admission of Limited Partner*. An assignee of a Limited Partner Interest shall be admitted to the Partnership as a Limited Partner upon receipt by the General Partner of a counterpart signature page to this Agreement and other documents, in form and substance satisfactory to the General Partner in its sole discretion, as may be required to effect such admission and to evidence such assignee's (i) acceptance of the terms and conditions of, (ii) authority to enter into, and (iii) agreement to the consents and waivers contained in, this Agreement.

Section 3.4 *No Right of General Partner To Withdraw or Transfer General Partner Interest*. Without the prior written consent of each Limited Partner, the General Partner shall not have the right to retire or withdraw from the Partnership as General Partner. Upon the occurrence of any event described in Section 17-402 of the Act with respect to the General Partner (other than a withdrawal of the General Partner following a permitted Transfer of the General Partner Interest pursuant to this Agreement), the General Partner shall be deemed to have withdrawn from the Partnership in violation of this Agreement. Without the prior written consent of each Limited Partner, the General Partner may not Transfer its General Partner Interest and any attempted Transfer of the General Partner Interest without such consent shall be null and void and shall have no effect.

Section 3.5 *Certificates*. Upon the Partnership's issuance of Limited Partner Interests to any Person as of or after the date of this Agreement, the Partnership shall issue one or more Certificates in the name of such Person evidencing the number of such Limited Partner Interests being so issued. Certificates shall be executed on behalf of the Partnership by the General Partner.

Section 3.6 *Mutilated, Destroyed, Lost or Stolen Certificates*.

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

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

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

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

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

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

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

(c) As a condition to the issuance of any new Certificate under this Section 3.6, the Partnership may require the payment of a sum sufficient to cover any tax or other Governmental charge that may be imposed in relation thereto and any other expenses reasonably connected therewith.

Section 3.7 *Record Holders*. The Partnership shall be entitled to recognize the Record Holder as the Limited Partner with respect to any Limited Partner Interest and, accordingly, shall

not be bound to recognize any equitable or other claim to or interest in such Limited Partner Interest on the part of any other Person, regardless of whether the Partnership shall have actual or other notice thereof, except as otherwise provided by Applicable Law.

Section 3.8 *Registration of Limited Partner Interests*.

(a) The Partnership shall keep or cause to be kept on behalf of the Partnership a register in which, subject to such reasonable regulations as it may prescribe and subject to the provisions of Section 3.8(b), the Partnership will provide for the registration and transfer of Limited Partner Interests. The Partnership shall not recognize transfers of Certificates evidencing Limited Partner Interests unless such transfers are effected in the manner described in this Section 3.8. Upon surrender of a Certificate for registration of transfer of any Limited Partner Interest, and subject to the provisions of Section 3.8(b), the General Partner, on behalf of the Partnership, shall execute and deliver, in the name of the holder or the designated transferee or transferees, as required pursuant to the holder's instructions, one or more new Certificates evidencing the same aggregate number and type of Limited Partner Interests as were evidenced by the Certificate so surrendered.

(b) The Partnership shall not recognize any transfer of Limited Partner Interests until the Certificates evidencing such Limited Partner Interests are surrendered for registration of transfer. No charge shall be imposed by the Partnership for such transfer; provided, that as a condition to the issuance of any new Certificate under this Section 3.8, the Partnership may require the payment of a sum sufficient to cover any tax or other Governmental charge that may be imposed with respect thereto.

(c) Limited Partner Interests may be transferred only in the manner described in this Section 3.8. The transfer of any Limited Partner Interests and the admission of any new Limited Partner shall not constitute an amendment to this Agreement.

ARTICLE IV
CAPITAL CONTRIBUTIONS

Section 4.1 *Initial Contributions*. Prior to the date hereof, the General Partner made certain Capital Contributions to the Partnership in exchange for an interest in the Partnership and has been admitted as the General Partner of the Partnership, and the Initial Limited Partners made certain Capital Contributions to the Partnership in exchange for an interest in the Partnership and have been admitted as a Limited Partner of the Partnership.

Section 4.2 *Continuation of General Partner and Limited Partner Interests; Contributions by the Partners*.

(a) Effective as of the execution of this Agreement, the General Partner Interest of the General Partner shall be continued, subject to all of the rights, privileges and duties of the General Partner under this Agreement.

(b) Effective as of the Effective Date, (i) the Limited Partner Interest of the Initial Limited Partners shall be converted into Class A Limited Partner Interests and Class B Limited Partner Interests specified for each Initial Limited Partner in Schedule A hereto, and such Limited Partner Interests shall be continued and (ii) the Partnership shall issue a 50% Class B Limited Partner Interest to ETI.

(c) Except as otherwise provided in the Act, no Partner is required to make any additional Capital Contributions to the Partnership other than as specified in Section 8.6.

Section 4.3 *Limited Partner Interests*. From and after the Effective Date, the Partners shall have the Limited Partner Interests set forth in Exhibit A.

Section 4.4 *No Interest or Withdrawal*. No interest shall be paid by the Partnership on Capital Contributions. No Partner shall be entitled to the withdrawal or return of its Capital Contribution, except to the extent, if any, that distributions made pursuant to this Agreement or upon termination of the Partnership may be considered as such by law and then only to the extent provided for in this Agreement. Except to the extent expressly provided in this Agreement, no Partner shall have priority over any other Partner either as to the return of Capital Contributions or as to profits, losses or distributions. Any such return shall be a compromise to which all Partners agree within the meaning of Section 17-502(b) of the Delaware Act.

Section 4.5 *Creditors of the Partnership*. No creditor of the Partnership will have or will acquire at any time any direct or indirect interest in the profits, capital or property of the Partnership other than as a secured creditor as a result of making a loan to the Partnership.

Section 4.6 *Loans from Partners*. Loans by a Partner to the Partnership shall not constitute Capital Contributions. If any Partner shall advance funds to the Partnership in excess of the amounts required by the Formation Agreement to be contributed by it to the capital of the Partnership, the making of such excess advances shall not result in any increase in the amount of the Capital Account of such Partner. The amount of any such excess advances shall be a debt obligation of the Partnership to such Partner and shall be payable or collectible only out of the Partnership Assets in accordance with the terms and conditions upon which such advances are made.

Section 4.7 *Fully Paid and Non-Assessable Nature of Partner Interests*. All Partner Interests issued to the Partners pursuant to, and in accordance with the requirements of, this Article 4 shall be fully paid and non-assessable Partner Interests, except as such non-assessability may be affected by Section 17-607 of the Act.

ARTICLE V
CAPITAL ACCOUNTS, ALLOCATIONS AND DISTRIBUTIONS

Section 5.1 *Capital Accounts*.

(a) The Partnership shall establish and maintain for each Partner a separate Capital Account in accordance with the rules of Treasury Regulation Section 1.704-1(b)(2)(iv). Such Capital Account shall be increased by (i) the cash amount or Net Agreed Value of all Capital Contributions made or deemed made to the Partnership by that Partner pursuant to this Agreement, and (ii) all items of Partnership income and gain (including income and gain exempt from tax) computed in accordance with Section 5.1(b) and allocated to that Partner pursuant to Section 5.2, and decreased by (x) the amount of cash or Net Agreed Value of all actual and

deemed distributions of cash or property made to that Partner pursuant to this Agreement and (y) all items of Partnership deduction and loss computed in accordance with Section 5.1(b) and allocated to that Partner pursuant to Section 5.2.

(b) For purposes of computing the amount of any item of income, gain, loss, or deduction to be reflected in the Partners' Capital Accounts, the determination, recognition, and classification of any such item shall be the same as its determination, recognition, and classification for federal income tax purposes (including any method or methods of depreciation, cost recovery, or amortization used for that purpose), provided that:

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

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

(iii) In accordance with the requirements of Section 704(b) of the Code, any deductions for depreciation, cost recovery, or amortization attributable to any Contributed Property shall be determined as if the adjusted basis of such property on the date it was acquired by the Partnership was equal to the Agreed Value of such property. Upon an adjustment pursuant to Section 5.1(d) or 5.1(e) to the Carrying Value of any Partnership Assets subject to depreciation, cost recovery, or amortization, any further deductions for such depreciation, cost recovery, or amortization attributable to such property shall be determined as if the adjusted basis of such property was initially equal to the Carrying Value of such property immediately following such adjustment.

(c) An assignee of a Partner Interest, upon admission as a Partner, shall succeed to a pro rata portion of the Capital Account of the transferring Partner relating to the Partner Interest so transferred.

(d) Consistent with the provisions of Treasury Regulation Section 1.704-1(b)(2)(iv)(f), on an issuance of additional Partner Interests for cash, services or Contributed Property other than pursuant to Section 4.1 or 4.2, the Capital Accounts of the Partners and the Carrying Value of all Partnership Assets immediately prior to such issuance shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership Assets, as if such Unrealized Gain or Unrealized Loss had been recognized on a sale

of such properties immediately prior to such contribution for an amount equal to its fair market value. Any Unrealized Gain or Unrealized Loss attributable to such property shall be allocated in the manner set forth in Section 5.2(c). In determining such Unrealized Gain or Unrealized Loss, the aggregate cash amount and fair market value of all Partnership Assets (including cash or cash equivalents) immediately prior to the issuance of additional Partner Interests shall be determined by the General Partner using such reasonable method of valuation as it may adopt.

(e) In accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f), immediately prior to any actual or deemed distribution to a Partner of any Partnership Asset (other than a distribution of cash that is not in redemption or retirement of a Partner Interest), the Capital Accounts of all Partners and the Carrying Value of all Partnership Assets shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership Assets, as if such Unrealized Gain or Unrealized Loss had been recognized on a sale of such properties immediately prior to such distribution for an amount equal to its fair market value. Any Unrealized Gain or Unrealized Loss attributable to such property shall be allocated in the same manner as set forth in Section 5.2(c). In determining such Unrealized Gain or Unrealized Loss the aggregate cash amount and fair market value of all Partnership Assets (including cash or cash equivalents) immediately prior to a distribution shall be determined and allocated among the assets by the General Partner using such reasonable method of valuation as it may adopt.

Section 5.2 *Allocations for Capital Account Purposes*. For purposes of maintaining the Capital Accounts and in determining the rights of the Partners among themselves, the Partnership's items of income, gain, loss and deduction (computed in accordance with Section 5.1(b)) shall be allocated among the Partners in each Tax Year (or portion thereof) as provided herein below.

(a) *Net Income*. After giving effect to the special allocations set forth in Section 5.2(d), Net Income for each Tax Year and all items of income, gain, loss and deduction taken into account in computing Net Income for such Tax Year shall be allocated among the Partners as follows:

(i) First, 100% to the General Partner, until the aggregate Net Income allocated to the General Partner pursuant to this Section 5.2(a)(i) for the current Tax Year and all previous Tax Years is equal to the aggregate Net Losses allocated to the General Partner pursuant to Section 5.2(b)(ii) for all previous Tax Years;

(ii) Second, 99.99% to the Class A Limited Partners, in proportion to their relative allocations of Net Losses, and .01% to the General Partner until the aggregate Net Income allocated to the Class A Limited Partners and the General Partner pursuant to this Section 5.2(a)(ii) for the current and all previous Tax Years is equal to the aggregate Net Losses allocated to the Class A Limited Partners and the General Partner pursuant to Section 5.2(b)(i) for all previous Tax Years; and

(iii) Third, 99.99% to the Class A Limited Partners, Pro Rata, and .01% to the General Partner.

(b) *Net Losses*. After giving effect to the special allocations set forth in Section 5.2(d), Net Losses for each taxable period and all items of income, gain, loss and deduction taken into account in computing Net Losses for such taxable period shall be allocated among the Partners as follows:

(i) First, 99.99% to the Class A Limited Partners, Pro Rata, and .01% to the General Partner; provided, however, that Net Losses shall not be allocated to a Class A Limited Partner pursuant to this Section 5.2(b)(i) to the extent that such allocation would cause a Class A Limited Partner to have a deficit balance in its Adjusted Capital Account at the end of such Tax Year (or increase any existing deficit balance in such Class A Limited Partner's Adjusted Capital Account); and

(ii) Second, the balance, if any, 100 percent to the General Partner.

(c) *Net Termination Gains and Losses*. After giving effect to the special allocations set forth in Section 5.2(d), all items of income, gain, loss and deduction taken into account in computing Net Termination Gain or Net Termination Loss for such taxable period shall be allocated in the same manner as such Net Termination Gain or Net Termination Loss is allocated hereunder. All allocations under this Section 5.2(c) shall be made after Capital Account balances have been adjusted by all other allocations provided under this Section 5.2 and after all distributions of available cash provided under Section 5.4 have been made with respect to the taxable period ending on or before the Liquidation Date; provided, however, that solely for purposes of this Section 5.2(c), Capital Accounts shall not be adjusted for distributions made pursuant to Section 8.2.

(i) If a Net Termination Gain is recognized (or deemed recognized pursuant to Section 5.1(d)), such Net Termination Gain shall be allocated among the Partners in the following manner (and the Capital Accounts of the Partners shall be increased by the amount so allocated in each of the following subclauses, in the order listed, before an allocation is made pursuant to the next succeeding subclause):

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

(B) Second, 99.99% to the Class B Limited Partners, Pro Rata, and .01% to the General Partner, until the aggregate Net Termination Gain allocated to the Class B Limited Partners pursuant to this Section 5.2(c)(i)(B) is equal to the IDR Distribution Amount; and

(C) Third, the balance, if any, 99.99% to the Class A Limited Partners, Pro Rata, and .01% to the General Partner.

(ii) If a Net Termination Loss is recognized (or deemed recognized pursuant to Section 5.5(d)), such Net Termination Loss shall be allocated among the Partners in the following manner:

(A) First, to the General Partner and the Limited Partners in proportion to, and to the extent of, the positive balances in their respective Adjusted Capital Accounts; and

(B) Second, the balance, if any, 100 percent to the General Partner.

(d) *Special Allocations*. Notwithstanding the foregoing, the following special allocations shall be made for such taxable period:

(i) *Partnership Minimum Gain Chargeback*. Notwithstanding any other provision of this Section 5.2, if there is a net decrease in Partnership Minimum Gain during any Partnership taxable period, each Partner shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation Sections 1.704-2(f)(6), 1.704-2(g)(2) and 1.704-2(j)(2)(i), or any successor provision. For purposes of this Section 5.2(d), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 5.2(d) with respect to such Tax Year (other than an allocation pursuant to Sections 5.2(d)(v) and 5.2(d)(vi)). This Section 5.2(d)(i) is intended to comply with the Partnership Minimum Gain Chargeback requirement in Treasury Regulation Section 1.704-2(f) and shall be interpreted consistently therewith.

(ii) *Chargeback of Partner Nonrecourse Debt Minimum Gain*. Notwithstanding the other provisions of this Section 5.2 (other than Section 5.2(d)(i)), except as provided in Treasury Regulation Section 1.704-2(i)(4), if there is a net decrease in Partner Nonrecourse Debt Minimum Gain during any Partnership Tax Year of the Partnership, any Partner with a share of Partner Nonrecourse Debt Minimum Gain at the beginning of such Tax Year shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation Sections 1.704-2(i)(4) and 1.704-2(j)(2)(ii), or any successor provisions. For purposes of this Section 5.2(d)(ii), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 5.2(d), other than Section 5.2(d)(i) and other than an allocation pursuant to Sections 5.2(d)(v) and 5.2(d)(vi), with respect to such taxable period. This Section 5.2(d)(ii) is intended to comply with the chargeback of items of income and gain requirement in Treasury Regulation Section 1.704-2(i)(4) and shall be interpreted consistently therewith.

(iii) *Priority Allocation.* Items of Partnership gross income or gain for the taxable period, if any, shall be allocated 99.99% to the Class B Limited Partners, Pro Rata, and .01% to the General Partner until the aggregate amount of such items allocated pursuant to this Section 5.2(d)(iii) for the current taxable year and all previous taxable years is equal to the cumulative IDR Distribution Amount from the Effective Date to a date 45 days after the end of the current taxable year.

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

(v) *Gross Income Allocations*. In the event any Partner has a deficit balance in its Capital Account at the end of any Partnership taxable period in excess of the sum of (A) the amount such Partner is required to restore pursuant to the provisions of this Agreement and (B) the amount such Partner is deemed obligated to restore pursuant to Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5), such Partner shall be specially allocated items of Partnership gross income and gain in the amount of such excess as quickly as possible; provided that an allocation pursuant to this Section 5.2(d)(v) shall be made only if and to the extent that such Partner would have a deficit balance in its Capital Account as adjusted after all other allocations provided for in this Section 5.2 have been tentatively made as if this Section 5.2(d)(v) were not in this Agreement.

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

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

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

(ix) *Code Section 754 Adjustments*. To the extent an adjustment to the adjusted tax basis of any Partnership Asset pursuant to Section 734(b) or 743(b) of the Code is required, pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m), to be

taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such item of gain or loss shall be specially allocated to the Partners in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such Section of the Treasury Regulations.

(x) *Curative Allocation*. Notwithstanding any other provision of this Section 5.2, other than the Required Allocations, the Required Allocations shall be taken into account in making the Agreed Allocations so that, to the extent possible, the net amount of items of income, gain, loss and deduction allocated to each Partner pursuant to the Required Allocations and the allocations under Sections 5.2(a), (b) and (c), together, shall be equal to the net amount of such items that would have been allocated to each such Partner under the Agreed Allocations had the Required Allocations and the related Curative Allocation not otherwise been provided in this Section 5.2. Notwithstanding the preceding sentence, Required Allocations relating to (A) Nonrecourse Deductions shall not be taken into account except to the extent that there has been a decrease in Partnership Minimum Gain and (B) Partner Nonrecourse Deductions shall not be taken into account except to the extent that there has been a decrease in Partner Nonrecourse Debt Minimum Gain. Allocations pursuant to this Section 5.2(d)(x) shall only be made with respect to Required Allocations to the extent the General Partner reasonably determines that such Required Allocations will otherwise be inconsistent with the economic agreement among the Partners. Further, allocations pursuant to this Section 5.2(d)(x) shall be deferred with respect to allocations pursuant to clauses (A) and (B) hereof to the extent the General Partner reasonably determines that such allocations are likely to be offset by subsequent Required Allocations.

(xi) *Allocation of Deduction*. The Partnership shall allocate an amount of deduction to each of the Limited Partners equal to the amount each Limited Partner contributed to the Partnership pursuant to Section 6.13(b) of the Formation Agreement for the Tax Year in which such contribution is made.

Section 5.3 *Allocations for Tax Purposes*.

(a) Except as otherwise provided herein, for tax purposes, each item of income, gain, loss and deduction shall be allocated among the Partners in the same manner as its correlative item of book income, gain, loss or deduction is allocated pursuant to Section 5.2.

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

(i) (A) In the case of a Contributed Property, such items attributable thereto shall be allocated among the Partners in the manner provided under Section 704(c) of the Code that takes into account the variation between the Agreed Value of such Contributed Property and its adjusted basis at the time of contribution; and

(B) Any item of Residual Gain or Residual Loss attributable to a Contributed Property shall be allocated among the Partners in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 5.2.

(ii) (A) In the case of an Adjusted Property, such items shall (1) first, be allocated among the Partners in a manner consistent with the principles of Section 704(c) of the Code to take into account the Unrealized Gain or Unrealized Loss attributable to such property and the allocations thereof pursuant to Section 5.1(d) or 5.1(e), and (2) second, in the event such property was originally a Contributed Property, be allocated among the Partners in a manner consistent with Section 5.3(b)(i)(A); and

(B) Any item of Residual Gain or Residual Loss attributable to an Adjusted Property shall be allocated among the Partners in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 5.2.

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

(c) Any gain allocated to the Partners upon the sale or other taxable disposition of any Partnership Asset shall, to the extent possible, after taking into account other required allocations of gain pursuant to this Section 5.3, be characterized as Recapture Income in the same proportions and to the same extent as such Partners (or their predecessors in interest) have been allocated any deductions directly or indirectly giving rise to the treatment of such gains as Recapture Income.

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

(e) As between a transferor and transferee of any Partner Interest, each item of income, gain, loss, deduction or credit attributable to the transferred Partner Interest shall, for tax purposes, be allocated among the transferor and transferee as if the books of the Partnership were closed on the date of the transfer and (i) all items of income, gain, loss, deduction or credit attributable to the period ending on or before the date of the transfer shall be allocated to the transferor and (ii) all items of income, gain, loss, deduction or credit attributable to the period beginning on the day after the date of the transfer shall be allocated to the transferee.

Section 5.4 *Distributions of Available Cash*.

(a) Except as otherwise provided in this Section 5.4, distributions of GP Available Cash and IDR Available Cash shall be made to all Partners simultaneously in accordance with Section 5.4(b); *provided, however*, that any loans from Partners pursuant to Section 4.6 that are then due and payable shall be repaid prior to any distributions to Partners. Any distributions by the Partnership will be made only to Persons who, according to the books and records of the Partnership, were the holders of record of Limited Partner Interests on the date determined by the

Board as of which the holders of Limited Partner Interests are entitled to the distribution in question. The Partnership and the Partners shall be entitled to treat the record holder of any Limited Partner Interests as the beneficial owner thereof, and shall incur no liability for distributions of GP Available Cash, IDR Available Cash or other property made in good faith to such holder.

(b) Within 45 days following the end of each Quarter commencing with the Quarter determined by the Board, the Partnership shall distribute all of its GP Available Cash and IDR Available Cash in accordance with this Section 5.4(b). In each distribution, (i) GP Available Cash shall be distributed 99.99% to the Class A Limited Partners, Pro Rata, and .01% to the General Partner and (ii) IDR Available Cash shall be distributed 99.99% to the Class B Limited Partners, Pro Rata and .01% to the General Partner. The immediately preceding sentence shall not require any distribution of cash if and to the extent such distribution would be prohibited by Applicable Law or by any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which the Partnership is a party or by which it is bound or its assets are subject.

(c) In the event of the dissolution and liquidation of the Partnership, all receipts received during or after the Quarter in which the Liquidation Date occurs shall be applied and distributed solely in accordance with, and subject to the terms and conditions of, Section 8.2.

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

Section 5.5 *Distributions in Kind*. The Partnership may distribute to the Partners Partnership Assets in kind as approved by the General Partner. All distributions of Partnership Assets in kind prior to the winding up and liquidation of the Partnership shall be made consistent with the economic interest of the Partners in such Partnership Assets as determined by the General Partner.

Section 5.6 *Limitations on Distributions*. Notwithstanding any provision to the contrary contained in this Agreement, the Partnership shall not make a distribution to a Partner to the extent that such distribution is not permitted under the Act. A Partner who receives a distribution that is not permitted under the terms of Section 17-607 of the Act shall have no liability under the Act or this Agreement to return the distribution unless the Partner knew that the distribution violated the terms of such Section.

ARTICLE VI
MANAGEMENT

Section 6.1 *Management by General Partner*. The General Partner shall conduct, direct and manage all activities of the Partnership. Except as otherwise expressly provided in this Agreement, all management powers over the business and affairs of the Partnership shall be exclusively vested in the General Partner, and no Limited Partner shall have any management power over the business and affairs of the Partnership. In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or that are granted to the General Partner under any other provision of this Agreement, the General Partner,

subject to Section 7.3, shall have full power and authority to do all things and on such terms as it determines to be necessary or appropriate to conduct the business of the Partnership, to exercise all powers set forth in Section 2.5 and to effectuate the purposes set forth in Section 2.4.

Section 6.2 *Indemnification*.

(a) To the fullest extent permitted by law but subject to the limitations expressly provided in this Agreement, all Indemnitees shall be indemnified and held harmless by the Partnership from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, in which any Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, by reason of its status as an Indemnitee; *provided*, that the Indemnitee shall not be indemnified and held harmless if there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that, in respect of the matter for which the Indemnitee is seeking indemnification pursuant to this Section 6.2, the Indemnitee acted in bad faith or engaged in fraud, willful misconduct, or in the case of a criminal matter, acted with knowledge that the Indemnitee's conduct was unlawful. Any indemnification pursuant to this Section 6.2 shall be made only out of the assets of the Partnership, it being agreed that the General Partner shall not be personally liable for such indemnification and shall have no obligation to contribute or loan any monies or property to the Partnership to enable it to effectuate such indemnification.

(b) To the fullest extent permitted by law, expenses (including legal fees and expenses) incurred by an Indemnitee who is indemnified pursuant to Section 6.2(a) in defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Partnership prior to a determination that the Indemnitee is not entitled to be indemnified upon receipt by the Partnership of any undertaking by or on behalf of the Indemnitee to repay such amount if it shall be determined that the Indemnitee is not entitled to be indemnified as authorized in this Section 6.2.

(c) The indemnification provided by this Section 6.2 shall be in addition to any other rights to which an Indemnitee may be entitled under any agreement, pursuant to any vote of the holders of Outstanding Limited Partner Interests entitled to vote on such matter, as a matter of law or otherwise, both as to actions in the Indemnitee's capacity as an Indemnitee and as to actions in any other capacity (including any capacity under the Underwriting Agreement), and shall continue as to an Indemnitee who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, assigns and administrators of the Indemnitee.

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

(e) For purposes of this Section 6.2, the Partnership shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by it of its duties to the Partnership also imposes duties on, or otherwise involves services by, it to the plan or participants or beneficiaries of the plan; excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall constitute "*fines*" within the meaning of Section 6.2(a); and action taken or omitted by it with respect to any employee benefit plan in the performance of its duties for a purpose reasonably believed by it to be in the best interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose that is in the best interests of the Partnership.

(f) In no event may an Indemnitee subject the Limited Partners to personal liability by reason of the indemnification provisions set forth in this Agreement.

(g) An Indemnitee shall not be denied indemnification in whole or in part under this Section 6.2 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

(h) The provisions of this Section 6.2 are for the benefit of the Indemnitees, their heirs, successors, assigns and administrators and shall not be deemed to create any rights for the benefit of any other Persons.

(i) No amendment, modification or repeal of this Section 6.2 or any provision hereof shall in any manner terminate, reduce or impair the right of any past, present or future Indemnitee to be indemnified by the Partnership, nor the obligations of the Partnership to indemnify any such Indemnitee under and in accordance with the provisions of this Section 6.2 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

(j) **The provisions of the indemnification provided in this Section 6.2 are intended by the Partners to apply even if such provisions have the effect of exculpating the Indemnitee from legal responsibility for the consequences of such Person's negligence, fault or other conduct, subject to limits under Applicable Law.**

Section 6.3 *Other Matters Concerning the General Partner*.

(a) The General Partner may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) The General Partner may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisers selected by it, and any act taken or omitted to be taken in reliance upon the opinion (including an Opinion of Counsel) of such Persons as to matters that the General Partner reasonably believes to be within such Person's professional or expert competence shall be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion.

(c) The General Partner shall have the right, in respect of any of its powers or obligations hereunder, to act through any of its duly authorized officers, a duly appointed attorney or attorneys-in-fact or the duly authorized officers of the Partnership. Each such attorney shall, to the extent provided by the General Partner in the power of attorney, have full power and authority to do and perform each and every act and duty that is permitted or required to be done by the General Partner hereunder.

Section 6.4 *Reliance by Third Parties*.

(a) Notwithstanding anything to the contrary in this Agreement, any Person dealing with the Partnership shall be entitled to assume that the General Partner and any officer of the General Partner authorized by the General Partner to act on behalf of and in the name of the Partnership has full power and authority to encumber, sell or otherwise use in any manner any and all assets of the Partnership and to enter into any authorized contracts on behalf of the Partnership, and such Person shall be entitled to deal with the General Partner or any such officer as if it were the Partnership's sole party in interest, both legally and beneficially. Each Limited Partner hereby waives any and all defenses or other remedies that may be available against such Person to contest, negate or disaffirm any action of the General Partner or any such officer in connection with any such dealing. In no event shall any Person dealing with the General Partner or any such officer or its representatives be obligated to ascertain that the terms of the Agreement have been complied with or to inquire into the necessity or expedience of any act or action of the General Partner or any such officer or its representatives.

(b) Each and every certificate, document or other instrument executed on behalf of the Partnership by the General Partner or any such officer or its representatives shall be conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that (a) at the time of the execution and delivery of such certificate, document or instrument, this Agreement was in full force and effect, (b) the Person executing and delivering such certificate, document or instrument was duly authorized and empowered to do so for and on behalf of the Partnership and (c) such certificate, document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Partnership.

ARTICLE VII
BOOKS, RECORDS, ACCOUNTING, REPORTS AND TAXES

Section 7.1 *Books and Records; Right to Audit; Fiscal Year; Reports*.

(a) The Partnership shall keep, at the principal office or other offices determined by the General Partner, books of account and other Partnership records. No Limited Partner shall have the right to request any information concerning the Partnership, other than pursuant to Applicable Law, including §17-305 of the Act.

(b) The books and records of the Partnership shall be maintained in accordance with U.S. GAAP.

(c) The fiscal year of the Partnership for U.S. GAAP purposes shall be September 1 through August 31 (the "*Fiscal Year*").

(d) As soon as practicable, but in no event later than 90 days after the close of each fiscal year of the Partnership, the General Partner shall cause to be mailed or furnished to each Limited Partner an annual report containing financial statements of the Partnership for such fiscal year of the Partnership, presented in accordance with U.S. GAAP, including a balance sheet and statements of operations, Partnership equity and cash flows, such statements to be audited by a firm of independent public accountants selected by the General Partner.

(e) As soon as practicable, but in no event later than 45 days after the close of each Quarter except the last Quarter of each Fiscal Year, the General Partner shall cause to be mailed or furnished to each Limited Partner a report containing unaudited financial statements of the Partnership and such other information as may be required by Applicable Law, regulation or rule, or as the General Partner determines to be necessary or appropriate.

Section 7.2 *Tax Returns*. The General Partner will timely prepare and file (or cause to be timely prepared and filed) appropriate federal, state and local tax returns for the Partnership. The General Partner shall determine whether the Partnership shall make any elections under the Code.

Section 7.3 *Tax Controversies*. Subject to the provisions hereof, the General Partner is designated as the Tax Matters Partner (as defined in the Code) and is authorized and required to represent the Partnership (at the Partnership's expense) in connection with all examinations of the Partnership's affairs by tax authorities, including resulting administrative and judicial proceedings, and to expend Partnership funds for professional services and costs associated therewith. Each Partner agrees to cooperate with the General Partner and to do or refrain from doing any or all things reasonably required by the General Partner to conduct such proceedings.

Section 7.4 *Withholding*. Notwithstanding any other provision of this Agreement, the General Partner is authorized to take any action that may be required to cause the Partnership to comply with any withholding requirements established under the Code or any other federal, state or local law including, without limitation, pursuant to Sections 1441, 1442, 1445 and 1446 of the Code. To the extent that the Partnership is required or elects to withhold and pay over to any taxing authority any amount resulting from the allocation or distribution of income to any Partner (including, without limitation, by reason of Section 1446 of the Code), the General Partner may treat the amount withheld as a distribution of cash pursuant to Section 5.4 in the amount of such withholding from such Partner.

Section 7.5 *Partnership Bank Accounts*. The General Partner may establish one or more separate bank and investment accounts and arrangements for the Partnership, which shall be maintained in the Partnership's name with financial institutions and firms that the General Partner determines.

ARTICLE VIII
DISSOLUTION, WINDING-UP AND TERMINATION

Section 8.1 *Dissolution*.

(a) The Partnership shall dissolve, and (subject to Section 10.6) its affairs shall be wound up, on the first to occur of the following events (each a "*Dissolution Event*"):

(i) the written consent of all Partners; and

(ii) entry of a decree of judicial dissolution of the Partnership under Section 17-802 of the Act.

(b) The Partnership shall not dissolve other than pursuant to Section 8.1(a).

(c) Each Partner covenants and agrees that it will not cause a dissolution of the Partnership, directly or indirectly, by breaching any provision of this Agreement.

Section 8.2 *Winding-Up and Termination*.

(a) The winding up of the Partnership shall commence on the day of the applicable Dissolution Event, but this Agreement shall not terminate until the Partnership Assets have been distributed in accordance with the terms of this Article 8. The General Partner shall act as liquidator or it may appoint one or more Partners as liquidator; provided, however, that (x) no Partner with respect to which a Bankruptcy event has occurred shall serve as (or act with any other Person as) the liquidator (the "*Liquidator*") and (y) if application of the foregoing clause (x) results in there being no liquidator, then the Liquidator shall be selected by Partners holding a majority in Sharing Ratios (calculated without reference to any Partner referred to in clause (x) of this Section 8.2(a)). The Liquidator shall immediately proceed to wind up and terminate the affairs of the Partnership and make final distributions as provided herein and in the Act. The costs of liquidation shall be borne as a Partnership expense. Until final distribution, the Liquidator shall continue to operate the business and assets of the Partnership with all of the power and authority of the General Partner. Maintenance of property, borrowing and expenditures of Partnership funds for legitimate Partnership purposes to effectuate or facilitate the winding up or the liquidation of the Partnership affairs shall be authorized if the Liquidator, in the exercise of its business judgment, believes that the interests of the Partnership would be best served thereby, and such actions shall not be construed to involve a continuation of the Partnership. The steps to be accomplished by the Liquidator are as follows:

(i) as promptly as possible after dissolution and again after final winding up, the Liquidator shall cause a proper accounting to be made by a recognized firm of certified public accountants of the Partnership Assets, liabilities and operations through the last calendar day of the month in which the dissolution occurs or the final winding up is completed, as applicable;

(ii) the Liquidator shall discharge from the Partnership's funds all of the debts, liabilities and obligations of the Partnership (including all expenses incurred in winding up) or otherwise make adequate provision for payment and discharge thereof (including the establishment of a cash escrow fund for contingent liabilities in such amount and for such term as the Liquidator may reasonably determine); and

(iii) all remaining Partnership Assets (including cash) shall be distributed among the Partners in accordance with the ratio of the positive balances in their respective Capital Accounts, as determined after taking into account all Capital Account adjustments (other than those made by reason of distributions pursuant to this Section 8.2(a)(iii)) for the taxable period during which the Liquidation Date occurs.

(b) The distribution of cash or other assets to a Partner in accordance with the provisions of this Section 8.2 constitutes a complete return to the Partner of its Capital Contributions and a complete distribution to the Partner of its Partner Interest and all the Partnership Assets and constitutes a compromise to which all Partners have consented pursuant to Section 17-502(b) of the Act.

Section 8.3 *Certificate of Cancellation*. Upon completion of the distribution of Partnership Assets as provided herein, the Liquidator (or such other Person or Persons as the Act may require or permit) shall file a certificate of cancellation with the Secretary of State of the State of Delaware, cancel any other filings made pursuant to Section 2.5, and take such other actions as may be necessary to terminate the existence of the Partnership. Upon the filing of such certificate of cancellation, the existence of the Partnership shall terminate (and the Term shall end).

Section 8.4 *Certain Matters Concerning a Partner*.

(a) Notwithstanding any other provisions of this Agreement, the Bankruptcy of a Partner shall not cause such Partner to cease to be a Partner of the Partnership, and upon the occurrence of such an event, the business of the Partnership shall continue without dissolution.

(b) The dissolution, liquidation or termination of a Partner shall not cause the termination or dissolution of the Partnership, and the business of the Partnership shall continue without dissolution.

Section 8.5 *Waiver of Partition*. To the maximum extent permitted by Applicable Law, each Partner hereby waives any right to partition of the Partnership Assets.

Section 8.6 *Capital Account Restoration*. No Limited Partner shall have any obligation to restore any negative balance in its Capital Account upon liquidation of the Partnership. The General Partner shall be obligated to restore any negative balance in its Capital Account upon liquidation of its interest in the Partnership by the end of the Tax Year during which such liquidation occurs, or, if later, within 90 days after the date of such liquidation.

ARTICLE IX
MERGER, CONSOLIDATION OR CONVERSION

Section 9.1 *Authority*. The Partnership may merge or consolidate with one or more corporations, limited liability companies, statutory trusts or associations, real estate investment trusts, common law trusts or unincorporated businesses, including a partnership (whether general

or limited (including a limited liability partnership)) or convert into any such entity, whether such entity is formed under the laws of the State of Delaware or any other state of the United States of America, pursuant to a written agreement of merger or consolidation ("Merger Agreement") or a written plan of conversion ("Plan of Conversion"), as the case may be, in accordance with this Article IX.

Section 9.2 *Procedure for Merger, Consolidation or Conversion*.

(a) Merger, consolidation or conversion of the Partnership pursuant to this Article IX requires the prior consent of the General Partner, provided, however, that, to the maximum extent permitted by law, the General Partner shall have no duty or obligation to consent to any merger, consolidation or conversion of the Partnership and may decline to do so free of any fiduciary duty or obligation whatsoever to the Partnership, any Limited Partner and, in declining to consent to a merger, consolidation or conversion, shall not be required to act in good faith or pursuant to any other standard imposed by this Agreement, any other agreement contemplated hereby or under the Act or any other law, rule or regulation or at equity.

(b) If the General Partner shall determine to consent to the merger or consolidation, the General Partner shall approve the Merger Agreement, which shall set forth:

(i) the names and jurisdictions of formation or organization of each of the business entities proposing to merge or consolidate;

(ii) the name and jurisdiction of formation or organization of the business entity that is to survive the proposed merger or consolidation (the "Surviving Business Entity");

(iii) the terms and conditions of the proposed merger or consolidation;

(iv) the manner and basis of exchanging or converting the equity securities of each constituent business entity for, or into, cash, property or interests, rights, securities or obligations of the Surviving Business Entity; and (i) if any general or limited partner interests, securities or rights of any constituent business entity are not to be exchanged or converted solely for, or into, cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity, the cash, property or interests, rights, securities or obligations of any general or limited partnership, corporation, trust, limited liability company, unincorporated business or other entity (other than the Surviving Business Entity) which the holders of such general or limited partner interests, securities or rights are to receive in exchange for, or upon conversion of their interests, securities or rights, and (ii) in the case of securities represented by certificates, upon the surrender of such certificates, which cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity or any general or limited partnership, corporation, trust, limited liability company, unincorporated business or other entity (other than the Surviving Business Entity), or evidences thereof, are to be delivered;

(v) a statement of any changes in the constituent documents or the adoption of new constituent documents (the articles or certificate of incorporation, articles of trust,

declaration of trust, certificate or agreement of limited partnership, operating agreement or other similar charter or governing document) of the Surviving Business Entity to be effected by such merger or consolidation;

(vi) the effective time of the merger, which may be the date of the filing of the certificate of merger pursuant to Section 9.4 or a later date specified in or determinable in accordance with the Merger Agreement (provided, that if the effective time of the merger is to be later than the date of the filing of such certificate of merger, the effective time shall be fixed at a date or time certain at or prior to the time of the filing of such certificate of merger and stated therein); and

(vii) such other provisions with respect to the proposed merger or consolidation that the General Partner determines to be necessary or appropriate.

(c) If the General Partner shall determine to consent to the conversion, the General Partner may approve and adopt a Plan of Conversion containing such terms and conditions that the General Partner determines to be necessary or appropriate.

Section 9.3 *Approval by Limited Partners*.

(a) Except as provided in Section 9.3(d), the General Partner, upon its approval of the Merger Agreement or Plan of Conversion, as the case may be, shall direct that the Merger Agreement or the Plan of Conversion, as applicable, be submitted to a vote of Limited Partners, whether at a special meeting or by written consent. A copy or a summary of the Merger Agreement or the Plan of Conversion, as applicable, shall be included in or enclosed with the notice of a special meeting or the written consent.

(b) Except as provided in Section 9.3(d), the Merger Agreement or the Plan of Conversion, as applicable, shall be approved upon receiving the affirmative vote or consent of the holders of a majority of the Limited Partner Interests**.**

(c) Except as provided in Section 9.3(d), after such approval by vote or consent of the Limited Partners, and at any time prior to the filing of the certificate of merger or a certificate of conversion pursuant to Section 9.4, the merger, consolidation or conversion may be abandoned pursuant to provisions therefor, if any, set forth in the Merger Agreement or the Plan of Conversion, as the case may be.

(d) Notwithstanding anything else contained in this Article IX or in this Agreement, the General Partner is permitted without Limited Partner approval, to convert the Partnership into a new limited liability entity, to merge the Partnership into, or convey all of the Partnership's assets to, another limited liability entity which shall be newly formed and shall have no assets, liabilities or operations at the time of such conversion, merger or conveyance other than those it receives from the Partnership if (i) the General Partner has received an Opinion of Counsel that the merger or conveyance, as the case may be, would not result in the loss of the limited liability of any Limited Partner or cause the Partnership or the MLP to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not previously treated as such), (ii) the sole purpose of such conversion, merger or conveyance is to effect a mere change in the legal form of the Partnership into another limited liability entity and (iii) the governing instruments of the new entity provide the Limited Partners and the General Partner with the same rights and obligations as are herein contained.

(e) Additionally, notwithstanding anything else contained in this Article IX or in this Agreement, the General Partner is permitted, without Limited Partner approval, to merge or consolidate the Partnership with or into another entity if (A) the General Partner has received an Opinion of Counsel that the merger or consolidation, as the case may be, would not result in the loss of the limited liability of any Limited Partner or cause the Partnership to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not previously treated as such), (B) the merger or consolidation would not result in an amendment to the Partnership Agreement, (C) the Partnership is the Surviving Business Entity in such merger or consolidation, (D) each Partnership Security outstanding immediately prior to the effective date of the merger or consolidation is to be an identical Partnership Security of the Partnership after the effective date of the merger or consolidation, and (E) the number of Partnership Securities to be issued by the Partnership in such merger or consolidation do not exceed 20% of the Partnership Securities outstanding immediately prior to the effective date of such merger or consolidation.

Section 9.4 *Certificate of Merger*.

(a) Upon the required approval, if any, by the General Partner and the Limited Partner of a Merger Agreement or a Plan of Conversion, as the case may be, a certificate of merger or certificate of conversion, as applicable, shall be executed and filed with the Secretary of State of the State of Delaware in conformity with the requirements of the Act.

(b) At the effective time of the certificate of merger:

(i) all of the rights, privileges and powers of each of the business entities that has merged or consolidated, and all property, real, personal and mixed, and all debts due to any of those business entities and all other things and causes of action belonging to each of those business entities, shall be vested in the Surviving Business Entity and after the merger or consolidation shall be the property of the Surviving Business Entity to the extent they were of each constituent business entity;

(ii) the title to any real property vested by deed or otherwise in any of those constituent business entities shall not revert and is not in any way impaired because of the merger or consolidation;

(iii) all rights of creditors and all liens on or security interests in property of any of those constituent business entities shall be preserved unimpaired; and

(iv) all debts, liabilities and duties of those constituent business entities shall attach to the Surviving Business Entity and may be enforced against it to the same extent as if the debts, liabilities and duties had been incurred or contracted by it.

(c) At the effective time of the certificate of conversion:

(i) the Partnership shall continue to exist, without interruption, but in the organizational form of the converted entity rather than in its prior organizational form;

(ii) all rights, title, and interests to all real estate and other property owned by the Partnership shall continue to be owned by the converted entity in its new organizational form without reversion or impairment, without further act or deed, and without any transfer or assignment having occurred, but subject to any existing liens or other encumbrances thereon;

(iii) all liabilities and obligations of the Partnership shall continue to be liabilities and obligations of the converted entity in its new organizational form without impairment or diminution by reason of the conversion;

(iv) all rights of creditors or other parties with respect to or against the prior interest holders or other owners of the Partnership in their capacities as such in existence as of the effective time of the conversion will continue in existence as to those liabilities and obligations and may be pursued by such creditors and obligees as if the conversion did not occur;

(v) a proceeding pending by or against the Partnership or by or against any of Partners in their capacities as such may be continued by or against the converted entity in its new organizational form and by or against the prior partners without any need for substitution of parties; and

(vi) the Partnership Securities that are to be converted into partnership interests, shares, evidences of ownership, or other securities in the converted entity as provided in the Plan of Conversion or certificate of conversion shall be so converted, and Partners shall be entitled only to the rights provided in the Plan of Conversion or certificate of conversion.

(d) A merger, consolidation or conversion effected pursuant to this Article shall not be deemed to result in a transfer or assignment of assets or liabilities from one entity to another.

Section 9.5 *Amendment of Partnership Agreement*. Pursuant to Section 17-211(g) of the Delaware Act, an agreement of merger or consolidation approved in accordance with Section 17-211(b) of the Delaware Act may (a) effect any amendment to this Agreement or (b) effect the adoption of a new partnership agreement for a limited partnership if it is the Surviving Business Entity. Any such amendment or adoption made pursuant to this Section 9.5 shall be effective at the effective time or date of the merger or consolidation.

ARTICLE X
OTHER PROVISIONS

Section 10.1 *Entire Agreement*. This Agreement and the Exhibits hereto constitute the entire agreement between the Partners with respect to the subject matter hereof.

Section 10.2 *Governing Law*. This Agreement is governed by and shall be construed in accordance with the laws of the State of Delaware. In the event of a direct conflict between the

provisions of this Agreement and any mandatory, non-waivable provision of the Act, such provision of the Act shall control. If any provision of the Act provides that it may be varied or superseded in a limited partnership agreement (or otherwise by agreement of the partners of a limited partnership), such provision shall be deemed superseded and waived in its entirety if this Agreement contains a provision addressing the same issue or subject matter.

Section 10.3 *Non-Waiver*. No waiver by any Partner hereto of any one or more defaults by the other Partner in the performance of any of the provisions of this Agreement shall be construed as a waiver of any other default whether of a like kind or different nature.

Section 10.4 *Severability*. If any provision of this Agreement or the application thereof to any Partner or circumstance is held invalid or unenforceable to any extent, (a) the remainder of this Agreement and the application of that provision to other Partners or circumstances is not affected thereby, and (b) the Partners shall negotiate in good faith to replace that provision with a new provision that is valid and enforceable and that puts the Partners in substantially the same economic, business and legal position as they would have had if the original provision had been valid and enforceable.

Section 10.5 *Headings; Exhibits*. The headings used for the sections and articles herein are for convenience and reference purposes only and shall in no way affect the meaning or interpretation of the provisions of this Agreement. Any and all Exhibits referred to in this Agreement are, by such reference, incorporated herein and made a part hereof for all purposes.

Section 10.6 *Winding Up Arrangements*. All indemnity and audit rights shall survive the termination of this Agreement for the time period provided herein. All obligations provided in this Agreement shall remain in effect following the expiration or termination of this Agreement to the extent necessary to give full force and effect to the rights and obligations undertaken by the Partners.

Section 10.7 *No Third Party Beneficiaries*. Nothing in this Agreement (except as provided in Section 6.4) shall provide any benefit to any third party or entitle any third party to any claim, cause of action, remedy or right of any kind, it being the intent of the Partners that this Agreement shall not be construed as a third party beneficiary contract.

Section 10.8 *Counterparts*. This Agreement may be executed in several counterparts, each of which is an original and all of which constitute one and the same instrument.

Section 10.9 *Amendment or Restatement*. This Agreement or the Delaware Certificate may be amended only by a written instrument executed (or, in the case of the Delaware Certificate, approved) by the General Partner; provided, that this Agreement or the Delaware Certificate may not be amended without the written approval of any Partner that is adversely affected by such amendment.

Section 10.10 *Dispute Resolution*. The General Partner shall resolve in good faith any dispute, controversy or claim among the Partners related to this Agreement, including any dispute over the payment of indemnification pursuant to the provisions of Section 6.2, except to the extent otherwise set forth herein. Nothing herein is intended to limit the Partners from resolving informally between them any dispute, controversy or claim that may arise.

Section 10.11 *Notices*. Except as expressly set forth to the contrary in this Agreement, all notices, requests or consents provided for or permitted to be given under this Agreement must be in writing and must be delivered to the recipient at the address set forth in Exhibit A in person, by courier or mail or (with written confirmation of delivery) by facsimile, telegram, telex, cablegram or similar transmission; and a notice, request or consent given under this Agreement is effective on receipt by the Person to receive it. Whenever any notice is required to be given by Law, the Delaware Certificate or this Agreement, a written waiver thereof, signed by the Person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. By giving each other Partner notice thereof, a Partner may change its address for notices or add additional addresses for copies of notices.

Section 10.12 *Further Assurances*. In connection with this Agreement and the transactions contemplated hereby, each Partner shall execute and deliver any additional documents and instruments and perform any additional acts that may be necessary or appropriate to effectuate and perform the provisions of this Agreement and those transactions.

Section 10.13 *Waiver of Certain Rights*. To the extent permitted by the Act and Applicable Law, each Partner irrevocably waives any right it may have to maintain any action for dissolution of the Partnership.

Section 10.14 *Creditors*. None of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Partnership.

Section 10.15 *Consent of Partners*. Each Partner hereby expressly consents and agrees that, whenever in this Agreement it is specified that an action may be taken upon the affirmative vote or consent of less than all of the Partners, such action may be so taken upon the concurrence of less than all of the Partners and each Partner shall be bound by the results of such action.

Section 10.16 *Confidentiality*.

(a) Each Partner agrees that it will not disclose to any Person or otherwise use to its benefit or to the benefit of any third party, including any Affiliate of such Partner, in any way whatsoever any Confidential Information, without the consent of the General Partner, except as may be necessary to comply with any Applicable Law, directive or procedure of any Governmental Authority. Each Partner will notify the General Partner before disclosing such information pursuant to any such Applicable Law, directive or procedure to give the General Partner the opportunity to seek a protective order. The restrictions set forth in this Section 10.16 shall not apply to information that (i) is, or after the date of this Agreement, becomes generally available to the public, other than through the wrongful act of any Person, (ii) after the date of this Agreement, is communicated to the Partner disclosing such information in a non confidential manner by a third party without any breach of this Section 10.16 or breach of any confidentiality obligations of such third party to any of the Partners or (iii) was or is already in the possession of the Person receiving such information at the time of its disclosure by the Partner disclosing such information, provided, that such Person came into possession of such information through means other than that which would constitute a breach of this Section 10.16 or a breach of the confidentiality obligations of any third party to the Partner disclosing such information. This Section 10.16 shall survive with respect to a former Partner for a period of two years after the date that such Partner ceases to be a Partner.

(b) A Partner that subsequently ceases to be a Partner shall promptly destroy (and provide a certificate of destruction to the Partnership with respect to), or return to the Partnership, all Confidential Information with respect to the Partnership in its possession.

(c) The Partners agree that no adequate remedy at law exists for a breach or threatened breach of any of the provisions of this Section 10.16, the continuation of which unremedied will cause the Partnership to suffer irreparable harm. Accordingly, the Partners agree that the Partnership shall be entitled, in addition to other remedies that may be available to them, to immediate injunctive relief from any breach of any of the provisions of this Section 10.16 and to specific performance of their rights hereunder, as well as to any other remedies available at law or in equity.

[Signature Pages Follow]

IN WITNESS WHEREOF, the Partners have executed this Agreement as of the Effective Date.

GENERAL PARTNER:

General Partner

Energy Transfer Partners, L.L.C.,
a Delaware limited liability company

By: /s/ Ray C. Davis
Name: Ray C. Davis
Title: Co-Chief Executive Officer

LIMITED PARTNERS:

ETE

Energy Transfer Equity, L.P.,
a Delaware limited partnership

By: LE GP, LLC,
its general partner

By: /s/ John W. McReynolds
Name: John W. McReynolds
Title: President

Exhibit A

Sharing Ratios

Name and Address as of Effective Date	Sharing Ratio	Net Agreed Value of Capital Contributions	Capital Account Balances
GENERAL PARTNER:			
Energy Transfer Partners, L.L.C. 2838 Woodside Drive Dallas, Texas 75204	0.01% General Partner Interest	$	$
LIMITED PARTNERS:			
Energy Transfer Equity, L.P. 2828 Woodside Drive Dallas, Texas 75204	100% Class A Limited Partner Interest	$	$ *
	100% Class B Limited Partner Interest	$	$ 0

* Equals current Capital Account balance for Energy Transfer Equity, L.P.

The Limited Partner Interests represented by this Certificate have been acquired for investment and were issued without registration under the Securities Act of 1933, as amended (the "*Securities Act*"), or under the securities laws of any state. These interests may not be sold, pledged, hypothecated, or otherwise transferred at any time except (i) in accordance with the restrictions contained in Third Amended and Restated Agreement of Limited Partnership of Energy Transfer Partners GP, L.P. (the "*Partnership Agreement*") and (ii) pursuant to an effective registration statement under the Securities Act and any applicable state securities laws unless an exemption from registration under the Securities Act and under any applicable state securities laws is available in connection with the transfer.

Certificate Evidencing Limited Partner Interests

Representing Limited Partner Interests in

Energy Transfer Partners GP, L.P.

No. _____ Percent Limited Partner Interest

In accordance with Section 3.5 of the Third Amended and Restated Agreement of Limited Partnership of Energy Transfer Partners GP, L.P., as amended, supplemented or restated from time to time (the "*Partnership Agreement*"), Energy Transfer Partners GP, L.P., a Delaware limited partnership (the "*Partnership*"), hereby certifies that (the "*Holder*") is the registered owner of a percent [Class A] [Class B] limited partner interest representing [Class A] [Class B] limited partner interests in the Partnership (the "*Limited Partner Interests*") transferable on the books of the Partnership, in person or by duly authorized attorney, upon surrender of this Certificate properly endorsed and accompanied by a properly executed application for transfer of the Limited Partner Interests represented by this Certificate. The rights, preferences and limitations of the Limited Partner Interests are set forth in, and this Certificate and the Limited Partner Interests represented hereby are issued and shall in all respects be subject to the terms and provisions of, the Partnership Agreement. Copies of the Partnership Agreement are on file at, and will be furnished without charge on delivery of written request to the Partnership at, the principal office of the Partnership located at 2838 Woodside Drive, Dallas, Texas 75204.

The Holder, by accepting this Certificate, is deemed to have (i) requested admission as, and agreed to become, a Limited Partner and to have agreed to comply with and be bound by and to have executed the Partnership Agreement, (ii) represented and warranted that the Holder has all right, power and authority and, if an individual, the capacity necessary to enter into the Partnership Agreement and (iii) made the waivers and given the consents and approvals contained in the Partnership Agreement.

This Certificate shall not be valid for any purpose unless it has been signed and registered by Energy Transfer Partners, L.L.C., general partner of the Partnership.

Dated: _____

Signed and Registered:

Energy Transfer Partners GP, L.P.

By: Energy Transfer Partners, L.L.C.,
its general partner

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Exhibit 3.6

THIRD AMENDED AND RESTATED

LIMITED LIABILITY COMPANY AGREEMENT

OF

ENERGY TRANSFER PARTNERS, L.L.C.

a Delaware limited liability company

April 17, 2007

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THIRD AMENDED AND RESTATED

LIMITED LIABILITY COMPANY AGREEMENT

OF

ENERGY TRANSFER PARTNERS, L.L.C.

A Delaware Limited Liability Company

This Third Amended and Restated Limited Liability Company Agreement (this "*Agreement*") of Energy Transfer Partners, L.L.C. (the "*Company*"), dated as of April 17, 2007 (the "*Effective Date*"), is entered into by Energy Transfer Equity, L.P., a Delaware limited partnership and the sole member of the Company (the "*Member*").

Recitals

1. AGL Propane, Inc., a Georgia corporation, Peoples Gas Company, a Florida corporation, Piedmont Propane Company, a North Carolina corporation, and United Cities Propane Gas, Inc., a Tennessee corporation (such entities, collectively, the "*Organizational Members*") formed Equity Transfer Partners, L.L.C. (formerly, U.S. Propane, L.L.C.) as a Delaware limited liability company by the filing of a Certificate of Formation (the "*Delaware Certificate*") with the Delaware Secretary of State on March 3, 2000 (the "*Formation Date*"), and the execution of that certain Limited Liability Company Agreement of the Company, dated as of March 2, 2000 (the "*Original Agreement*").

2. Effective as of August 10, 2000, the Original Agreement was amended and restated in its entirety and, effective June 16, 2005, was further amended by the First Amendment (as so amended, the "*Amended LLC Agreement*").

3. Effective as of January 20, 2004, the Member acquired all of the outstanding member interests in the Company.

4. On September 22, 2004, FHM Investments, L.L.C., a Nevada limited liability company ("*FHM*") acquired from the Member a five percent (5%) interest in the outstanding member interests in the Company, which interests were subsequently repurchased by the Member effective June 15, 2005.

5. Effective as of February 8, 2006, the Amended LLC Agreement was amended and restated in its entirety by the Second Amended and Restated Limited Liability Company Agreement (the "*Second Amended LLC Agreement*").

6. The Company desires to amend and restate the Second Amended LLC Agreement as provided herein.

Agreement

The Member hereby agrees as follows:

Article 1

Definitions

1.1 *Definitions*. As used in this Agreement, the following terms have the respective meanings set forth below or set forth in the Sections referred to below (and grammatical variations of such terms have correlative meanings):

"*Acquisition*" means any acquisition by the Company or the Partnership of all or substantially all of the interest in any company or business (whether by a purchase of assets, purchase of stock, merger or otherwise).

"*Act*" means the Delaware Limited Liability Company Act.

"*Affiliate*" means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with, the Person in question. As used herein, the term "*control*" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"*Agreed Value*" of any Contributed Property means the fair market value of such property or other consideration at the time of contribution as determined by the General Partner. The Board shall use such method as it determines to be appropriate to allocate the aggregate Agreed Value of Contributed Properties contributed to the Partnership in a single or integrated transaction among each separate property on a basis proportional to the fair market value of each Contributed Property.

"*Agreement*" is defined in the introductory paragraph.

"*Applicable Law*" means any Law to which a specified Person or property is subject.

"*Authorized Person*" is defined in Section 6.5(a).

"*Available Cash*" means, as of any Distribution Date,

(a) all cash and cash equivalents of the Company on hand on such date, less

(b) the amount of any cash reserves that is necessary or appropriate in the reasonable discretion of the Board to (i) provide for the proper conduct of the business of the Company (including reserves for future capital expenditures, Acquisitions and for anticipated future working capital and other credit needs of the business of the Company) subsequent to such date or (ii) comply with Applicable Law or any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which the Company is a party or by which it is bound or its assets are subject.

Notwithstanding the foregoing, "*Available Cash*" with respect to the Quarter in which the Liquidation Date occurs and any subsequent Quarter shall equal zero.

"*Bankruptcy*" means, with respect to any Person, (a) such Person (i) makes a general assignment for the benefit of creditors; (ii) files a voluntary bankruptcy petition; (iii) becomes the subject of an order for relief or is declared insolvent in any federal or state bankruptcy or insolvency proceedings; (iv) files a petition or answer seeking for such Person a reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any Law; (v) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against such Person in a proceeding of the type described in subclauses (i) through (iv) of this clause (a); or (vi) seeks, consents to, or acquiesces in the appointment of a trustee, receiver, or liquidator of such Person or of all or any substantial part of such Person's properties; or (b) a proceeding against such Person seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any Law has been commenced and 120 days have expired without dismissal thereof or with respect to which, without such Person's consent or acquiescence, a trustee, receiver, or liquidator of such Person or of all or any substantial part of such Person's properties has been appointed and 90 days have expired without the appointment having been vacated or stayed, or 90 days have expired after the date of expiration of a stay, if the appointment has not previously been vacated.

"*Board*" is defined in Section 6.1.

"*Capital Account*" means the capital account maintained for a Member pursuant to Section 5.1.

"*Capital Contribution*" means any cash, cash equivalents or the Net Agreed Value of any Contributed Property that a Member contributes to the Company pursuant to this Agreement. Any reference in this Agreement to the Capital Contribution of a Member shall include a Capital Contribution of its predecessors-in-interest.

"*Carrying Value*" means (a) with respect to a Contributed Property, the Agreed Value of such property reduced (but not below zero) by all depreciation, amortization, and cost recovery deductions charged to each Member's Capital Account in respect of such Contributed Property, and (b) with respect to any other Company Assets, the adjusted basis of such Company Assets for federal income tax purposes, all as of the time of determination. The Carrying Value of any property shall be adjusted from time to time to reflect changes, additions, or other adjustments to the Carrying Value for dispositions and acquisitions of Company properties, as approved by the Board.

"*Certificate*" means a certificate, substantially in the form of Exhibit B to this Agreement or in such other form as may be adopted by the Board in its discretion, issued by the Company evidencing ownership of one of more Units.

"*Claim*" means any and all judgments, claims, causes of action, demands, lawsuits, suits, proceedings, Governmental investigations or audits, losses, assessments, fines, penalties, administrative orders, obligations, costs, expenses, liabilities and damages (whether actual, consequential or punitive), including interest, penalties, reasonable attorney's fees, disbursements and costs of investigations, deficiencies, levies and duties.

"*Code*" means the Internal Revenue Code of 1986, as amended and in effect from time to time. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to a corresponding provision of any successor law.

"*Company*" is defined in Recital 1.

"*Company Assets*" means the assets and properties of the Company of every kind, character and description, whether tangible, intangible, real, personal or mixed, and wherever located.

"*Confidential Information*" means all information and data relating to the Company or its Affiliates (other than a Member), including proposed strategic business plans, financial information, business opportunities, pro forma information and employee matters.

"*Contract*" means any agreement, contract, obligation, promise, or undertaking (whether written or oral and whether express or implied) that is legally binding.

"*Contributed Property*" means each property or other asset, in such form as may be permitted by the Act, but excluding cash or cash equivalents, contributed or deemed contributed by the Company.

"*Delaware Certificate*" is defined in Recital 1.

"*Dissolution Event*" is defined in Section 8.1(a).

"*Distribution Date*" means any date upon which the Partnership makes a distribution of cash to the Company.

"*Effective Date*" is defined in the introductory paragraph.

"Extraordinary Approval" means written approval of Energy Transfer Equity, L.P.

"*Fiscal Year*" is defined in Section 7.1(b).

"*Formation Date*" is defined in Recital 1.

"*Governmental Authority*" (or "*Governmental*") means a federal, state, local or foreign governmental authority; a state, province, commonwealth, territory or district thereof a county or parish; a city, town, township, village or other municipality; a district, ward or other subdivision of any of the foregoing; any executive, legislative or other governing body of any of the foregoing; any agency, authority, board, department, system, service, office, commission, committee, council or other administrative body of any of the foregoing; any court or other judicial body; and any officer, official or other representative of any of the foregoing.

"*Indemnitee*" means each of (a) the Company and any Person who is or was an Affiliate of the Company, (b) any Person who is or was a member, director, officer, fiduciary or trustee of the Company, (c) any Person who is or was an officer, member, partner, director, employee, agent or trustee of the Company or any Affiliate of the Company, or any Affiliate of any such Person, and (d) any Person who is or was serving at the request of the Company or any such Affiliate as a director, officer, employee, member, partner, agent, fiduciary or trustee of another Person; provided, that a Person shall not be an Indemnitee by reason of providing, on a fee-for- services basis, trustee, fiduciary or custodial services and (e) any Person the Company designates as an "Indemnitee" for purposes of this Agreement.

"*Law*" means any applicable constitutional provision, statute, act, code (including the Code), law, regulation, rule, ordinance, order, decree, ruling, proclamation, resolution, judgment, decision, declaration, or interpretative or advisory opinion or letter of a Governmental Authority having valid jurisdiction.

"*Limited Partner Interest*" means the ownership interest of a Limited Partner in the Partnership, and includes any and all benefits to which such Limited Partner is entitled as provided in the Partnership Agreement, together with all obligations of such Limited Partner to comply with the terms and provisions of the Partnership Agreement.

"*Liquidation Date*" means the date on which a Dissolution Event arises pursuant to Section 8.1.

"*Liquidator*" is defined in Section 8.2(a).

"*Majority Vote*" means approval by a majority of the Directors.

"*Member*" means Energy Transfer Equity, L.P. and any Person hereafter admitted to the Company as a Member as provided in this Agreement, but such term does not include any Person who has ceased to be a Member of the Company.

"*Member Approval*" means approval of the Member.

"*Member Interest*" means the ownership interest of a Member in the Company, and includes any and all benefits to which such Member is entitled as provided in this Agreement, together with all obligations of such Member to comply with the terms and provisions of this Agreement.

"*MLP*" means Energy Transfer Partners, L.P., a Delaware limited partnership.

"*MLP Interests*" means the limited partner interests of the MLP, regardless of class or category of limited partner interests.

"*MLP Partnership Agreement*" means the Amended and Restated Agreement of Limited Partnership of the MLP, as amended or restated from time to time.

"*Net Agreed Value*" means (a) in the case of any Contributed Property, the Agreed Value of such property reduced by any liabilities either assumed by the Company upon such

contribution or to which such property is subject when contributed as set forth on Exhibit A and (b) in the case of any property distributed to a Member by the Company, the Company's Carrying Value of such property at the time such property is distributed, reduced by any indebtedness either assumed by such Member upon such distribution or to which such property is subject at the time of distribution, in either case, as determined under Section 752 of the Code.

"*Officers*" is defined in Section 6.2(a).

"*Organizational Members*" is defined in Recital 1.

"*Original Agreement*" is defined in Recital 1.

"*Partnership*" means Energy Transfer Partners GP, L.P., a Delaware limited partnership.

"*Partnership Agreement*" means the Amended and Restated Agreement of Limited Partnership of the Partnership dated as of June 27, 1996 as amended from time to time.

"*Person*" means the meaning assigned to that term in Section 18-101(12) of the Act and also includes a Governmental Authority and any other entity.

"*Quarter*" means, unless the context requires otherwise, a fiscal quarter of the Company.

"*Record Holder*" means the Person in whose name a Unit is registered on the books of the Company as of the opening of business on a particular day.

"*Sharing Ratio*" means the percentage specified for a Member as its Sharing Ratio on Exhibit A (subject to any adjustments or amendments in accordance with this Agreement, in connection with a Transfer or purchase of a Member Interest or in connection with any issuance of Units); *provided*, *however*, that the total of all Sharing Ratios shall always equal 100 percent.

"*Subsidiary*" means, with respect to any Person, (a) a corporation of which more than 50% of the voting power of shares entitled (without regard to the occurrence of any contingency) to vote in the election of directors or other governing body of such corporation is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person or a combination thereof, (b) a partnership (whether general or limited) in which such Person or a Subsidiary of such Person is, at the date of determination, a general or limited partner of such partnership, but only if more than 50% of the partnership interests of such partnership (considering all of the partnership interests of the partnership as a single class) is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person, or a combination thereof, or (c) any other Person (other than a corporation or a partnership) in which such Person, one or more Subsidiaries of such Person, or a combination thereof, directly or indirectly, at the date of determination, has (i) at least a majority ownership interest or (ii) the power to elect or direct the election of a majority of the directors or other governing body of such Person.

"*Term*" is defined in Section 2.6.

"*Transfer*" when used in this Agreement with respect to a Member Interest, shall be deemed to refer to a transaction by which a Member assigns its Member Interest to another Person, and includes a sale, assignment, gift, pledge, encumbrance, hypothecation, mortgage, exchange, or any other disposition by law or otherwise.

"*Treasury Regulations*" means the Income Tax Regulations promulgated under the Code.

"*Unanimous Vote*" means approval by all of the Directors.

"*Unit*" means a Member Interest of a Member in the Company representing a fractional part of the Member Interests of all Members.

"*U.S. GAAP*" means United States generally accepted accounting principles as in effect on the applicable date.

Other terms defined herein have the meanings so given them.

1.2 Construction. Unless the context requires otherwise: (a) the gender (or lack of gender) of all words used in this Agreement includes the masculine, feminine, and neuter; (b) the term "include" or "includes" means "includes, without limitation," and "including" means "including, without limitation"; (c) references to Articles and Sections refer to Articles and Sections of this Agreement; (d) references to Exhibits refer to the Exhibits attached to this Agreement, which are made a part hereof for all purposes; (e) references to Laws refer to such Laws as they may be amended from time to time, and references to particular provisions of a Law include any corresponding provisions of any succeeding Law; and (f) references to money refer to legal currency of the United States of America.

Article 2

Organization

2.1 ***Formation; Continuation; Amendment and Restatement.*** The Company was formed as a Delaware limited liability company by the filing of the Delaware Certificate, as of the Formation Date. The Member ratifies the organization and formation of the Company and continues the Company, pursuant to the terms and conditions of this Agreement. This Agreement amends and restates in its entirety and supersedes the Amended LLC Agreement, which shall have no further force or effect. The rights and liabilities of the Member shall be as provided in the Act, except as may be expressly provided otherwise in this Agreement. All Member Interests shall constitute personal property of the owner thereof for all purposes.

2.2 ***Name.*** The name of the Company shall continue to be "Energy Transfer Partners, L.L.C.," and all Company business must be conducted in that name or such other names that comply with Law as the Board selects.

2.3 ***Registered Office; Registered Agent; Principal Office in the United States; Other Offices.*** Unless and until changed by the Board, the registered office of the Company in the State of Delaware shall be located at 1209 Orange Street, Suite 400, Wilmington, Delaware 19801, and the registered agent for service of process on the Company in the State of Delaware

at such registered office shall be The Corporation Trust Company. The principal office of the Company shall be located at 2838 Woodside Street, Dallas, Texas 75204 or such other place as the Board may from time to time designate by notice to the Member. The Company may maintain offices at such other place or places within or outside the State of Delaware as the Board deems necessary or appropriate.

2.4 ***Purposes.*** The purposes of the Company are to engage in the following activities: (a) serving as the general partner of the Partnership and, in connection therewith, exercising all the rights and powers conferred upon the Company as a general partner in the Partnership pursuant to the Partnership Agreement or otherwise, (b) engaging directly in, or entering into or forming any corporation, partnership, joint venture, limited liability company or other arrangement to engage directly in, any business activity that the Partnership, the MLP or any of their respective subsidiaries is permitted to engage in pursuant to their respective agreements of limited partnership and, in connection therewith, exercising all of the rights and powers conferred upon the Partnership pursuant to the agreements relating to such business activity, (c) engaging directly in, or entering into or forming any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any business activity that is approved by the Board pursuant to the provisions of Article 6 and which lawfully may be conducted by a limited liability company pursuant to the Act and, in connection therewith, exercising all of the rights and powers conferred upon the Company pursuant to the agreements relating to such business activity, and (d) engaging in activities incidental or reasonably related to, resulting from, or otherwise necessary or convenient to facilitate, the activities referred to in the foregoing clauses (a) through (c). The Board has no obligation or duty to the Partnership or the Limited Partners to propose or approve, and in its discretion may decline to propose or approve, the conduct by the Company or the Partnership of any business.

2.5 ***Foreign Qualification.*** Prior to the Company's conducting business in any jurisdiction other than the State of Delaware, the Board shall cause the Company to comply, to the extent procedures are available and those matters are reasonably within the control of the Board, with all requirements necessary to qualify the Company as a foreign limited liability company in that jurisdiction. At the request of the Board, the Member shall execute, acknowledge, swear to and deliver all certificates and other instruments conforming with this Agreement that are necessary or appropriate to qualify, continue and terminate the Company as a foreign limited liability company in all such jurisdictions in which the Company may conduct business.

2.6 ***Term.*** The period of existence of the Company (the "*Term*") commenced on the Formation Date and shall end at such time as a certificate of cancellation is filed with the Secretary of State of the State of Delaware in accordance with Section 8.3.

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

Article 3

Transfers of Interests; Admission of Members

3.1 ***Membership Interests.*** Each Member owns Membership Interests and shall have a Sharing Ratio in the Company as reflected in Exhibit A attached hereto. Persons may be admitted to the Company as Members, on such terms and conditions as the Board determines at the time of admission. The terms of admission or issuance must specify the Sharing Ratios applicable thereto and may provide for the creation of different classes or groups of Members having different rights, powers and duties. The Board may reflect the creation of any new class or group in an amendment to this Agreement indicating the different rights, powers and duties, and such an amendment shall be approved by the Board and executed by authorized Officers. Any such admission is effective only after such new Member has executed and delivered to the Members and the Company an instrument containing the notice address of the new Member, the Member's ratification of this Agreement and agreement to be bound by it.

3.2 ***Liability to Third Parties; Relationship between Members.*** Except as may be expressly provided in another separate, written guaranty or other agreement executed by a Member, no Member shall be liable for the debts, obligations or liabilities of the Company, including under a judgment, decree or order of a court. Except as otherwise provided in this Agreement, no Member has the authority or power to act for or on behalf of or bind the Company or to incur any expenditures on behalf of the Company. This Agreement shall not be deemed for any purpose to create a general partnership, limited partnership, joint venture or any other similar relationship.

3.3 ***Certificates.*** Upon the Company's issuance of Units to any Person as of or after the date of this Agreement, the Company shall issue one or more Certificates in the name of such Person evidencing the number of such Units being so issued. Certificates shall be executed on behalf of the Company by the Chief Executive Officer or any Vice President and the Secretary or any Assistant Secretary of the Company.

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

(a) If any mutilated Certificate is surrendered to the Company, the appropriate officers of the Company shall execute and deliver, in exchange therefor, a new Certificate evidencing the same number and type of Units as the Certificate so surrendered.

(b) The appropriate officers of the Company shall execute and deliver a new Certificate in place of any Certificate previously issued if the Record Holder of the Certificate:

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

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

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

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

If a Member fails to notify the Company within a reasonable time after it has notice of the loss, destruction or theft of a Certificate, and a transfer of the Member Interests represented by the Certificate is registered before the Company receives such notification, the Member shall be precluded from making any claim against the Company for such transfer or for a new Certificate.

(c) As a condition to the issuance of any new Certificate under this Section 3.4 the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses reasonably connected therewith.

3.5 ***Record Holders.*** The Company shall be entitled to recognize the Record Holder as the Member with respect to any Member Interest and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such Member Interest on the part of any other Person, regardless of whether the Company shall have actual or other notice thereof, except as otherwise provided by Applicable Law.

3.6 ***Registration of Member Interests.***

(a) The Company shall keep or cause to be kept on behalf of the Company a register in which, subject to such reasonable regulations as it may prescribe and subject to the provisions of Section 3.6(b), the Company will provide for the registration and transfer of Member Interests. The Company shall not recognize transfers of Certificates evidencing Member Interests unless such transfers are effected in the manner described in this Section 3.6. Upon surrender of a Certificate for registration of transfer of any Member Interest, and subject to the provisions of Section 3.6(b), the appropriate officers of the Company shall execute and deliver, in the name of the holder or the designated transferee or transferees, as required pursuant to the holder's instructions, one or more new Certificates evidencing the same aggregate number and type of Member Interests as were evidenced by the Certificate so surrendered.

(b) The Company shall not recognize any transfer of Member Interests until the Certificates evidencing such Member Interests are surrendered for registration of transfer. No charge shall be imposed by the Company for such transfer; *provided*, that as a condition to the issuance of any new Certificate under this Section 3.6, the Company may require the payment of a sum sufficient to cover any tax or other Governmental charge that may be imposed with respect thereto.

(c) Member Interests may be transferred only in the manner described in this Section 3.6. The transfer of any Member Interests and the admission of any new Member shall not constitute an amendment to this Agreement.

Article 4

Capital Contributions

4.1 ***Capital Contributions.***

(a) Except as otherwise provided for by the Act, (i) the Capital Contributions made in accordance as reflected on the Company's books and records shall constitute the full obligation of the Member to furnish funds or property to the Company, and no additional funds or other property shall be required of the Member and (ii) the Member shall have the right to make additional Capital Contributions.

(b) All Member Interests issued to a Member pursuant to, and in accordance with the requirements of, this Article 4 shall be fully paid and non-assessable Member Interests, except as such non-assessability may be affected by Section 18-607 of the Act.

4.2 ***No Interest or Withdrawal.*** No interest shall be paid by the Company on Capital Contributions or on balances in Capital Accounts. No Member shall be entitled to withdraw any part of its Capital Contribution or its Capital Account or to receive any distributions from the Company, except as expressly provided in this Agreement. A Member shall not be required to contribute any cash or property to the Company to enable the Company to return any Member's Capital Contribution.

4.3 ***Title to Company Assets.*** Title to Company Assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Company as an entity, and no Director or Member, individually or collectively, shall have any ownership interest in such Company Assets or any portion thereof.

4.4 ***Creditors of the Company.*** No creditor of the Company will have or shall acquire at any time any direct or indirect interest in the profits, capital or property of the Company other than as a secured creditor as a result of making a loan to the Company.

Article 5

Capital Accounts, Allocations and Distributions

5.1 ***Capital Accounts.*** The Company shall establish and maintain for each Member a separate Capital Account in accordance with the rules of Treasury Regulation Section 1.704-1(b)(2)(iv).

5.2 ***Distributions of Available Cash.*** On each Distribution Date during the Term, the Company shall distribute to the Member 100 percent of Available Cash on such Distribution Date.

5.3 ***Limitations on Distributions.*** Notwithstanding any provision to the contrary contained in this Agreement, the Company shall not make a distribution to a Member to the extent that such distribution is not permitted under the Act. A Member who receives a distribution that is not permitted under the terms of Section 18-607 of the Act shall have no liability under the Act or this Agreement to return the distribution unless the Member knew that the distribution violated the terms of such Section.

Article 6

Management

6.1 ***Management.***

(a) *Generally*.

(i) Subject to the provisions of Section 6.1(a)(iii) and Section 6.1(b)(iv) all management powers over the business and affairs of the Company shall be exclusively vested in a Board of Directors ("*Board of Directors*" or "*Board*") and, subject to the direction of the Board of Directors, the Officers. The Director shall be elected or appointed by the Member, and any Director may be removed or replaced by the Member at any time. The Officers and Directors shall each constitute a "*manager*" of the Company within the meaning of the Act. Except as otherwise specifically provided in this Agreement, the authority and functions of the Board of Directors on the one hand and of the Officers on the other shall be identical to the authority and functions of the board of directors and officers, respectively, of a corporation organized under the Delaware General Corporation Law. Except as otherwise specifically provided in this Agreement, the business and affairs of the Company shall be managed under the direction of the Board of Directors, and the day-to-day activities of the Company shall be conducted on the Company's behalf by the Officers, who shall be agents of the Company.

(ii) In addition to the powers that now or hereafter can be granted to managers under the Act and to all other powers granted under any other provision of this Agreement, except as otherwise provided in this Agreement, the Board of Directors and the Officers shall have full power and authority to do all things as are not restricted by this Agreement, the Partnership Agreement, the Act or applicable Law, on such terms as they may deem necessary or appropriate to conduct, or cause to be conducted, the business and affairs of the Company.

(iii) Notwithstanding anything herein to the contrary, without obtaining Extraordinary Approval, the Company shall not, and shall not take any action to cause either the Partnership or the MLP to, (1) make or consent to a general assignment for the benefit of its respective creditors; (2) file or consent to the filing of any bankruptcy, insolvency or reorganization petition for relief under the United States Bankruptcy Code naming the Company, the Partnership or the MLP, as applicable, or otherwise seek, with respect to the Company, the Partnership or the MLP, relief from debts or protection from creditors generally; (3) file or consent to the filing of a petition or answer seeking for the Company, the Partnership or the MLP, as applicable, a liquidation, dissolution, arrangement, or similar relief under any law; (4) file an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Company, the Partnership or the MLP, as applicable, in a proceeding of the type described in any of clauses (1) – (3) of this Section 6.1(a); (5) seek, consent to or

acquiesce in the appointment of a receiver, liquidator, conservator, assignee, trustee, sequestrator, custodian or any similar official for the Company, the Partnership or the MLP, as applicable, or for all or any substantial portion of either entity's properties; (6) sell all or substantially all of the assets of the Company, the Partnership or the MLP; (7) dissolve or liquidate, except in the case of the Partnership, in accordance with Article VIII of the Partnership Agreement; (8) merge or consolidate; (9) amend the MLP Partnership Agreement; or (10) make a material change in the amount of the quarterly distributions made on the MLP Interests or the payment of any material extraordinary distribution on the MLP Interests.

(iv) Notwithstanding anything herein to the contrary, Energy Transfer Equity, L.P., as the sole Member of the Company, shall have exclusive authority over the business and affairs of the Company that do not relate to management and control of the MLP. The type of matter referred to in the prior sentence where Energy Transfer Equity, L.P., as the sole Member of the Company, shall have exclusive authority shall include, but not be limited to, (i) the amount and timing of distributions paid by the Company or the Partnership, (ii) the issuance or repurchase of any equity interests in the Company or the Partnership, (iii) the prosecution, settlement or management of any claim made directly against the Company or the Partnership, (iv) whether to sell, convey, transfer or pledge any asset of the Company or the Partnership, (v) whether to amend, modify or waive any rights relating to the assets of the Company or the Partnership (including the decision to amend or forego distributions in respect of the Incentive Distribution Rights), and (vi) whether to enter into any agreement to incur an obligation of the Company or the Partnership other than an agreement entered into for and on behalf of the MLP for which the Company or the Partnership are liable exclusively by virtue of the Partnership's capacity as general partner of the MLP or of any of its affiliates. Further, Energy Transfer Equity, L.P., as the sole Member of the Company, shall have exclusive authority to cause the Company to exercise the rights of the Company and those of the Partnership, as general partner of the MLP (or those exercisable after the Partnership ceases to be the general partner of the MLP), pursuant to the following provisions of the MLP Partnership Agreement:

(A) Section 2.4 ("*Purpose and Business*"), with respect to decisions to propose or approve the conduct by the MLP of any business.

(B) Sections 4.6(a) and (b) ("*Transfer of the General Partner's General Partner Interest*") and Section 4.8 ("*Transfer of Incentive Distribution Rights*"), solely with respect to the decision by the Partnership to transfer its general partner interest in the MLP or its Incentive Distribution Rights;

(C) Section 5.2 ("*Contributions by the General Partner and its Affiliates*"), solely with respect to the decision to make additional Capital Contributions to the MLP;

(D) Section 5.9 ("*Limited Preemptive Right*");

(E) Section 7.5(d) (relating to the right of the Partnership and its Affiliates to purchase Units or other Partnership Securities and exercise rights related thereto) and Section 7.11 ("*Purchase and Sale of Units*"), solely with respect to decisions by the Company or the Partnership to purchase or otherwise acquire and sell Partnership Securities for their own account;

(F) Section 7.6(a) ("*Loans from the General Partner; Loans or Contributions from the Partnership; Contracts with Affiliates; Certain Restrictions on the General Partner*"), solely with respect to the decision by the Company or the Partnership to lend funds to a Group Member, subject to the provisions of Section 7.9 of the MLP Agreement;

(G) Section 7.7 ("*Indemnification*"), solely with respect to any decision by the Company or the Partnership to exercise its rights as an "Indemnitee";

(H) Section 7.13 ("*Registration Rights of the General Partner and its Affiliates*"), solely with respect to any decision to exercise registration rights and to take actions in connection therewith;

(I) Section 11.1 ("*Withdrawal of the General Partner*"), solely with respect to the decision by Partnership to withdraw as general partner of the MLP and to giving notices required thereunder;

(J) Section 11.3(a) and (b) ("*Interest of Departing General Partner and Successor General Partner*"); and

(K) Section 15.1 ("*Right to Acquire Limited Partner Interests*").

(v) Without the approval of the Conflicts Committee of the Board of Directors of the Company, the Company shall not take any action that would result in either the Company or the Partnership engaging in any business or activity or incurring any debts or liabilities except in connection with or incidental to (A) its performance as general partner of the Partnership or (B) the acquiring, owning or disposing of debt of equity securities of the Partnership.

(b) *Board of Directors*.

(i) *Generally*. The Board of Directors shall consist of not more than thirteen natural persons. The other members of the Board of Directors shall be appointed by the Member, *provided* that at least three of such members must meet the independence, qualification and experience requirements of the New York Stock Exchange, of Section 10A(m)(3) of the Securities Exchange Act of 1934 (or any successor Law), the rules and regulations of the SEC, other applicable Law and the charter of the Audit and Conflicts Committee (each, an "*Independent Director*"); *provided*, *however*, that if at any time at least three of the Directors are not Independent Directors, the Board of Directors shall still have all powers and authority granted to it hereunder, but the Board of Directors and the Member shall endeavor to elect additional Independent Directors to come into compliance with this Section 6.1(b)(i).

(ii) *Term; Resignation; Vacancies; Removal.* Each Director shall hold office until his successor is appointed and qualified or until his earlier resignation or removal. Any Director may resign at any time upon written notice to the Board, the Chairman (or Co-Chairmen, if applicable) of the Board, to the Chief Executive Officer (or Co-Chief Executive Officers, if applicable). Such resignation shall take effect at the time specified therein, and unless otherwise specified therein no acceptance of such resignation shall be necessary to make it effective. Vacancies and newly created directorships resulting from any increase in the authorized number of Directors or from any other cause shall be filled by the Member. Any Director may be removed, with or without cause, by the Member at any time, and the vacancy in the Board caused by any such removal shall be filled by the Member.

(iii) *Voting; Quorum*. Unless otherwise required by the Act, other Law or the provisions hereof,

(A) each member of the Board of Directors shall have one vote; and

(B) the presence at a meeting of a majority of the members of the Board of Directors shall constitute a quorum at any such meeting for the transaction of business; and

(C) subject to the provisions of Section 6.1(b)(iv) the act of the members of the Board of Directors present at a meeting duly called in accordance with Section 6.1(b)(v) at which a quorum is present shall be deemed to constitute the act of the Board of Directors.

(iv) *Required Vote for Certain Actions*.

(A) *Unanimous Vote of Directors*. The following actions by the Company, or by the Company in its capacity as general partner of the Partnership, shall require approval by a Unanimous Vote, except as otherwise provided in this Agreement:

1. Any action or election that would cause the Company to be taxable as a corporation for federal tax purposes; and

2. Any transfer of all or part of the Company's general partner interest in the Partnership.

(B) *Majority Vote of Directors*. Except for matters that require a Member Approval or a Unanimous Vote and matters specified in Section 6.4 as within the authority of the Chief Executive Officer (or Co-Chief Executive Officers, as applicable) (but subject at all times to the direction and control of the Board), actions by the Company, or by the Company in its capacity as general partner of the Partnership, shall require approval by a Majority Vote.

(v) *Meetings*. Regular meetings of the Board of Directors shall be held at such times and places as shall be designated from time to time by resolution of the Board of Directors. Special meetings of the Board of Directors or meetings of any committee thereof may be called by written request authorized by any member of the Board of Directors or a committee thereof on at least 24 hours prior written notice to the other members of such Board or committee, *provided*, that such notice requirement may be waived with respect to a particular special meeting of the Board of Directors by a majority of the members of the Board of Directors. Any such notice need not state the purpose of such meeting, except as may otherwise be required by law. Attendance of a Director at a meeting (including pursuant to the last sentence of this Section 6.2(b)(v)) shall constitute a waiver of notice of such meeting, except where such Director attends the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened. Any action required or permitted to be taken at a meeting of the Board of Directors or any committee thereof may be taken without a meeting, without prior notice and without a vote if a consent or consents in writing, setting forth the action so taken, are signed by at least as many members of the Board of Directors or committee thereof as would have been required to take such action at a meeting of the Board of Directors or such committee. Members of the Board of Directors or any committee thereof may participate in and hold a meeting by means of conference telephone, video conference or similar communications equipment by means of which all Persons participating in the meeting can hear each other, and participation in such meetings shall constitute presence in person at the meeting.

6.2 *Officers.*

(a) *Generally.* The Board may appoint agents of the Company, which agents shall be referred to as "Officers" of the Company, having the titles, power, authority and duties described in this Section 6.2 or as otherwise granted by the Board. Subject to the foregoing, the Officers shall have the full authority to and shall manage, control and oversee the day-to-day business and affairs of the Company and shall perform all other acts as are customary or incident to the management of such business and affairs, which will include the general and administrative affairs of the Company and the operation and maintenance of the Company Assets, all in accordance with the provisions of Section 6.3.

(b) *Titles and Number.* The Officers may include a Chairman, a Chief Executive Officer, one or more Vice Presidents, a Secretary, a Treasurer, and one or more Assistant Secretaries and Assistant Treasurers, and any other officer position or title as the Board may approve. Any person may hold two or more offices.

(c) *Appointment and Term of Office.* The Officers may be appointed by the Board at such times and for such terms as the Board shall determine. Any Officer may be removed, with or without cause, only by the Board. Vacancies in any office may be filled only by the Board.

(d) *Chairman of the Board.* The Chairman of the Board shall preside at all meetings of the Board of Directors and of the unitholders of the Partnership; and he shall have such other powers and duties as from time to time may be assigned to him by the Board of Directors. There may be more than one person holding the office of Chairman, in which case they shall act as Co-Chairmen and shall share the duties of such office.

(e) *Chief Executive Officer.* In accordance with and subject to the limitations imposed by this Agreement or any direction of the Board, the Chief Executive Officer, as such, shall (i) supervise generally the other Officers, (ii) be responsible for the management and day-to-day business and affairs of the Company, its other Officers, employees and agents and shall supervise generally the affairs of the Company, (iii) have full authority to execute all documents and take all actions that the Company may legally take and (iv) have the power and authority to delegate the Chief Executive Officer's powers and authority to any proper Officer. There may be more than one person holding the office of Chief Executive Officer, in which case they shall act as Co-Chief Executive Officers and shall share the duties of such office.

(f) *President.* The President shall, subject to the direction of the Board of Directors have executive powers, and shall have and may exercise any and all other powers and duties as from time to time may be conferred or assigned by the Board and shall report directly to the Chief Executive Officer, or, if there be none, to the Chairman. The President shall, during the absence or incapacity of the Chief Executive Officer and the Chairman, report directly to the Board.

(g) *Vice Presidents.* In the absence of the President, each Vice President appointed by the Board shall have all of the powers and duties conferred upon the President, including the same power as the President to execute documents on behalf of the Company. Each such Vice President shall perform such other duties and may exercise such other powers as may from time to time be assigned to him by the Board. Vice Presidents may be designated Executive Vice Presidents, Senior Vice Presidents, or any other title determined by the Board.

(h) *Secretary.* The Secretary shall record or cause to be recorded in books provided for that purpose the minutes of meetings or actions of the Board, shall see that all notices are given in accordance with the provisions of this Agreement and as required by Applicable Law, shall be custodian of all records (other than financial), shall see that the books, reports, statements, certificates and all other documents and records required by Applicable Law are properly kept and filed, and, in general, shall perform all duties incident to the office of Secretary and such other duties as may, from time to time, be assigned by this Agreement or the Board. The Assistant Secretaries shall exercise the powers of the Secretary during that Officer's absence or inability or refusal to act.

(i) *Chief Financial Officer.* The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of account of the Company and the Partnership. He shall receive and deposit all moneys and other valuables belonging to the Company in the name and to the credit of the Company and shall disburse the same and only in such manner as the Board of Directors or the appropriate Officer of the Company may from time to time determine. He shall receive and deposit all moneys and other valuables belonging to the Partnership in the name and to the credit of the Partnership and shall disburse the same and only in such manner as the Board of Directors or the Chief Executive Officer may require. He shall render to the Board of Directors and the Chief Executive Officer, whenever any of them request it, an account of all his transactions as Chief Financial Officer and

of the financial condition of the Company, and shall perform such further duties as the Board of Directors or the Chief Executive Officer may require. The Chief Financial Officer shall have the same power as the Chief Executive Officer to execute documents on behalf of the Company.

(j) *Treasurer.* The Treasurer shall have such duties as may be specified by the Board in the performance of his duties. The Assistant Treasurers shall exercise the power of the Treasurer during that Officer's absence or inability or refusal to act. Each of the Assistant Treasurers shall possess the same power as the Treasurer to sign all certificates, contracts, obligations and other instruments of the Company. If no Treasurer or Assistant Treasurer is appointed and serving in the absence of the appointed Treasurer and Assistant Treasurer, such other Officer as the Board shall select shall have the powers and duties conferred upon the Treasurer.

(k) *Powers of Attorney.* The Company may grant powers of attorney or other authority as appropriate to establish and evidence the authority of the Officers and other persons.

(l) *Delegation of Authority.* Unless otherwise provided by resolution of the Board, no Officer shall have the power or authority to delegate to any person such Officer's powers as an Officer to manage the business and affairs of the Company.

6.3 ***Officer Actions.*** The Chief Executive Officer shall have the authority to take the following actions for the Company, or by the Company in its capacity as the general partner of the Partnership, subject to the direction and control of the Board:

(a) Managing the day-to-day operations of the Company;

(b) Initiating, defending, settling, and otherwise handling Claims against the Company, or Claims of the Company against third parties;

(c) Obtaining all permits, certificates, licenses and regulatory approvals necessary to carry out the business of the Company, and preparing and timely providing such filings, reports, statements and information to any Governmental Authority as may be required in connection therewith from time to time;

(d) Protecting and preserving the title and interests of the Company and the Partnership with respect to the Company Assets;

(e) Negotiating contracts of the Company in the ordinary course of business;

(f) Executing and delivering documents requiring execution on behalf of the Company in its own right and as general partner of the Partnership;

(g) Hiring and terminating the employment or services of employees of the Company (including contract personnel, consultants and independent contractors, but excluding Officers);

(h) Taking such actions as may be delegated or assigned to the Chief Executive Officer or the other Officers from time to time by the Board;

(i) Taking any other actions similar in character to those identified in clauses (a) to (h) above, other than those requiring approval by a Unanimous Vote or a Majority Vote under this Agreement; and

(j) Performing such ancillary and ministerial acts, and making, executing, acknowledging and delivering all contracts, assignments and other agreements, instruments or documents as are reasonably necessary or appropriate to carry out the duties of the Chief Executive Officer and other Officers hereunder.

6.4 ***Indemnification.***

(a) To the fullest extent permitted by Law but subject to the limitations expressly provided in this Agreement, each Indemnitee shall be indemnified and held harmless by the Company from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including reasonable legal fees and expenses), judgments, fines, penalties, interest, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, in which any such Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, by reason of such person's status as an Indemnitee; *provided, however* that the Indemnitee shall not be indemnified and held harmless if there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that, in respect of the matter for which the Indemnitee is seeking indemnification pursuant to this Section 6.5, the Indemnitee acted in bad faith or engaged in fraud, willful misconduct, or in the case of a criminal matter, acted with knowledge that the Indemnitee's conduct was unlawful; *provided, further*, no indemnification pursuant to this Section 6.5 shall be available to the Members or their Affiliates (other than the MLP and any Group Member) with respect to its or their obligations incurred pursuant to the Underwriting Agreement. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of *nolo contendere*, or its equivalent, shall not create a presumption that the Indemnitee acted in a manner contrary to that specified above. Any indemnification pursuant to this Section 6.5 shall be made only out of Company Assets, it being agreed that a Member shall not be personally liable for such indemnification and shall have no obligation to contribute or loan any monies or property to the Company to enable it to effectuate such indemnification.

(b) To the fullest extent permitted by Law, expenses (including reasonable legal fees and expenses) incurred by an Indemnitee who is indemnified pursuant to Section 6.5(a) in defending any Claim shall, from time to time, be advanced by the Company prior to the final disposition of such Claim upon receipt by the Company of an undertaking by or on behalf of the Indemnitee to repay such amount if it shall be determined that the Indemnitee is not entitled to be indemnified as authorized in this Section 6.4.

(c) The indemnification provided by this Section 6.4 shall be in addition to any other rights to which an Indemnitee may be entitled under any agreement, as a matter of Law or otherwise, both as to actions in the Indemnitee's capacity as an Indemnitee and as to actions in any other capacity, and shall continue as to an Indemnitee who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, assigns and administrators of the Indemnitee.

(d) The Company may purchase and maintain insurance, on behalf of the members of the Board of Directors, the Officers and such other Persons as the Board shall determine, against any liability that may be asserted against or expense that may be incurred by such Person in connection with the Company's activities, regardless of whether the Company would have the power to indemnify such Person against such liability under the provisions of this Agreement.

(e) For purposes of this Section 6.4, the Company shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by the Indemnitee of such Indemnitee's duties to the Company also imposes duties on, or otherwise involves services by, the Indemnitee to the plan or participants or beneficiaries of the plan; excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to Applicable Law shall constitute "fines" within the meaning of Section 6.5(a) and action taken or omitted by the Indemnitee with respect to an employee benefit plan in the performance of such Indemnitee's duties for a purpose reasonably believed by such Indemnitee to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose which is in, or not opposed to, the best interests of the Company.

(f) In no event may an Indemnitee subject the Members to personal liability by reason of the indemnification provisions set forth in this Agreement.

(g) An Indemnitee shall not be denied indemnification in whole or in part under this Section 6.4 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction is otherwise permitted by the terms of this Agreement.

(h) The provisions of this Section 6.4 are for the benefit of the Indemnitees, their heirs, successors, assigns and administrators and shall not be deemed to create any rights for the benefit of any other Persons.

(i) No amendment, modification or repeal of this Section 6.4 or any provision hereof shall in any manner terminate, reduce or impair either the right of any past, present or future Indemnitee to be indemnified by the Company or the obligation of the Company to indemnify any such Indemnitee under and in accordance with the provisions of this Section 6.4 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted, provided such Person became an Indemnitee hereunder prior to such amendment, modification or repeal.

(j) No member of the Board of Directors or Member shall be liable to the Company or to any Member for any loss suffered by the Company unless such loss is caused by such Director's or Member's gross negligence, willful misconduct, intentional violation of law or material breach of this Agreement. No member of the Board of Directors or Member shall be liable for errors in judgment or for any acts or omissions that do not constitute gross negligence, willful misconduct, intentional violation of law or material breach of this Agreement. Any member of the Board of Directors or Member may consult with counsel and accountants in respect of Company affairs and, provided such Director or Member acts in good faith reliance upon the advice or opinion of such counsel or accountants, such Director or Member shall not be liable for any loss suffered by the Company in reliance thereon.

(k) THE PROVISIONS OF THE INDEMNIFICATION PROVIDED IN THIS SECTION 6.4 ARE INTENDED BY THE MEMBERS TO APPLY EVEN IF SUCH PROVISIONS HAVE THE EFFECT OF EXCULPATING THE INDEMNITEE FROM LEGAL RESPONSIBILITY FOR THE CONSEQUENCES OF SUCH PERSON'S NEGLIGENCE, FAULT OR OTHER CONDUCT, SUBJECT TO LIMITS UNDER APPLICABLE LAW.

6.5 ***Reliance by Third Parties.***

(a) Notwithstanding anything to the contrary in this Agreement, any Person dealing with the Company shall be entitled to assume that the Chief Executive Officer or any Person authorized by the Board to act on behalf of and in the name of the Company (each an "*Authorized Person*") has full power and authority to encumber, sell or otherwise use in any manner any and all assets of the Company and to enter into any authorized contracts on behalf of the Company, and such Person shall be entitled to deal with any Authorized Person as if it were the Company's sole party in interest, both legally and beneficially. In no event shall any Person dealing with any Authorized Person be obligated to ascertain that the terms of this Agreement have been complied with or to inquire into the necessity of any act or action of any Authorized Person.

(b) Each and every certificate, document or other instrument executed on behalf of the Company by any Authorized Person shall be conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that (i) at the time of the execution and delivery of such certificate, document or instrument, this Agreement was in full force and effect, (ii) the Person executing and delivering such certificate, document or instrument was duly authorized and empowered to do so for and on behalf of the Company and (iii) such certificate, document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Company.

6.6 ***Resolution of Conflicts of Interest; Standard of Conduct and Modification of Duties.***

(a) Unless otherwise expressly provided in this Agreement, whenever a potential conflict of interest exists or arises between the Members or any of their Affiliates (other than the MLP or any Group Member), on the one hand, and the MLP or any Group Member, on the other hand, any resolution or course of action by the Board of Directors in respect of such conflict of interest shall be permitted and deemed approved by all Members, and shall not constitute a breach of this Agreement or of any agreement contemplated herein or therein, or of any duty stated or implied by law or equity, if the resolution or course of action in respect of such conflict of interest is (i) approved by Special Approval, (ii) approved by the vote of a majority of the Units excluding Units owned by the Members and their Affiliates, (iii) on terms no less favorable to the MLP or Group Member, as the case may be, than those generally being provided to or available from unrelated third parties or (iv) fair and reasonable to the MLP or Group Member, as the case may be, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or

advantageous to the MLP or Group Member, as the case may be). The Board of Directors shall be authorized but not required in connection with its resolution of such conflict of interest to seek Special Approval of such resolution, and the Board of Directors may also adopt a resolution or course of action that has not received Special Approval. If Special Approval is not sought and the Board of Directors determines that the resolution or course of action taken with respect to a conflict of interest satisfies either of the standards set forth in clauses (iii) or (iv) above, then it shall be presumed that, in making its decision, the Board of Directors acted in good faith, and in any proceeding brought by any Member or by or on behalf of such Member or the MLP or Group Member, as the case may be, challenging such approval, the Person bringing or prosecuting such proceeding shall have the burden of overcoming such presumption.

(b) Whenever the Company makes a determination or takes or declines to take any other action, or any of its Affiliates causes it to do so, in its capacity as the general partner of the General Partner of the MLP as opposed to in its individual capacity, whether under this Agreement, or any other agreement contemplated hereby or otherwise, then unless another express standard is provided for in this Agreement, the Company, or such Affiliates causing it to do so, shall make such determination or take or decline to take such other action in good faith and shall not be subject to any other or different standards imposed by this Agreement, any other agreement contemplated hereby or under the Delaware Act or any other law, rule or regulation or at equity. In order for a determination or other action to be in "good faith" for purposes of any action taken or delivered to be taken by the Company in its capacity as the general partner of the General Partner of the MLP, the Person or Persons making such determination or taking or declining to take such other action must believe that the determination or other action is in the best interests of the MLP.

(c) Whenever the Company makes a determination or takes or declines to take any other action, or any of its Affiliates causes it to do so, in its individual capacity as opposed to in its capacity as a general partner of the General Partner of the MLP, whether under this Agreement or any other agreement contemplated hereby or otherwise, then the Company, or such Affiliates causing it to do so, are entitled to make such determination or to take or decline to take such other action free of any fiduciary duty or obligation whatsoever to the MLP or any partner thereof, and the Company, or such Affiliates causing it to do so, shall not be required to act in good faith or pursuant to any other standard imposed by this Agreement, any other agreement contemplated hereby or under the Delaware Act or any other law, rule or regulation. By way of illustration and not of limitation, whenever the phrase, "at the option of the Company," or some variation of that phrase, is used in this Agreement, it indicates that the Company is acting in its individual capacity. For the avoidance of doubt, whenever the Company votes or transfers its MLP Interests, or refrains from voting or transferring its MLP Interests, it shall be acting in its individual capacity.

(d) Notwithstanding anything to the contrary in this Agreement, the Company and its Affiliates shall have no duty or obligation, express or implied, to (i) sell or otherwise dispose of any asset of the MLP or any Group Member or (ii) permit the MLP or any Group Member to use any facilities or assets of the Company and its Affiliates, except as may be provided in contracts entered into from time to time specifically dealing with such use. Any determination by the Company or any of its Affiliates to enter into such contracts shall be at its option.

(e) Whenever a particular transaction, arrangement or resolution of a conflict of interest is required under this Agreement to be "fair and reasonable" to any Person, the fair and reasonable nature of such transaction, arrangement or resolution shall be considered in the context of all similar or related transactions.

Article 7

Taxes, Books, Records, Accounting and Reporting

7.1 ***Books and Records; Fiscal Year***.

(a) The books and records of the Company shall be maintained in accordance with U.S. GAAP.

(b) The fiscal year of the Company for U.S. GAAP purposes shall be September 1 through August 31 (the "*Fiscal Year*").

7.2 ***Tax Returns***. The Member shall prepare and timely file (on behalf of the Company) all state and local tax returns, if any, required to be filed by the Company. The Company and the Member acknowledge that for federal income tax purposes, the Company will be disregarded as an entity separate from the Member pursuant to Treasury Regulation § 301.7701-3 as long as all of the member interests in the Company are owned by the Member.

Article 8

Dissolution, Winding-up and Termination

8.1 ***Dissolution***.

(a) The Company shall dissolve, and (subject to Section 10.6) its affairs shall be wound up, on the first to occur of the following events (each a "*Dissolution Event*"):

(i) Member Approval to dissolve the Company; and

(ii) entry of a decree of judicial dissolution of the Company under Section 18-802 of the Act; *provided* that the Board shall not submit an application for a decree of judicial dissolution unless and until all amounts payable under the obligations of the Company have been indefeasibly paid in full.

(b) The Company shall not dissolve other than pursuant to Section 8.1(a).

8.2 ***Winding-Up and Termination***.

(a) The winding up of the Company shall commence on the day of the applicable Dissolution Event, but this Agreement shall not terminate until the Company Assets have been distributed in accordance with the terms of this Article 8. The Board shall act as liquidator (the "*Liquidator*"). The Liquidator shall immediately proceed to wind up and terminate the affairs of the Company and make final distributions as provided herein and in the

Act. The costs of liquidation shall be borne as a Company expense. Until final distribution, the Liquidator shall continue to operate the business and assets of the Company with all of the power and authority of the Board. Maintenance of property, borrowing and expenditures of Company funds for legitimate Company purposes to effectuate or facilitate the winding up or the liquidation of the Company affairs shall be authorized if the Liquidator, in the exercise of its business judgment, believes that the interests of the Company would be best served thereby, and such actions shall not be construed to involve a continuation of the Company. The steps to be accomplished by the Liquidator are as follows:

(i) as promptly as possible after dissolution and again after final winding up, the Liquidator shall cause a proper accounting to be made by a recognized firm of certified public accountants of the Company Assets, liabilities and operations through the last calendar day of the month in which the dissolution occurs or the final winding up is completed, as applicable;

(ii) the Liquidator shall discharge from the Company's funds all of the debts, liabilities and obligations of the Company (including all expenses incurred in winding up) or otherwise make adequate provision for payment and discharge thereof (including the establishment of a cash escrow fund for contingent liabilities in such amount and for such term as the Liquidator may reasonably determine); and

(iii) all remaining Company Assets (including cash) shall be distributed among the Members in accordance with the ratio of the positive balances in their respective Capital Accounts, as determined after taking into account all Capital Account adjustments (other than those made by reason of distributions pursuant to this Section 8.2(a)(iii)) for the taxable period during which the Liquidation Date occurs.

(b) The distribution of cash or other assets to a Member in accordance with the provisions of this Section 8.2 constitutes a complete return to the Member of its Capital Contributions and a complete distribution to the Member of its Member Interest and all the Company Assets and constitutes a compromise to which all Members have consented pursuant to Section 18-502(b) of the Act.

8.3 ***Certificate of Cancellation***. Upon completion of the distribution of Company Assets as provided herein, the Liquidator (or such other Person or Persons as the Act may require or permit) shall file a certificate of cancellation with the Secretary of State of the State of Delaware, cancel any other filings made pursuant to Section 2.5, and take such other actions as may be necessary to terminate the existence of the Company. Upon the filing of such certificate of cancellation, the existence of the Company shall terminate (and the Term shall end).

8.4 ***Certain Matters Concerning a Member***.

(a) Notwithstanding any other provisions of this Agreement, the Bankruptcy of a Member shall not cause such Member to cease to be a Member of the Company, and upon the occurrence of such an event, the business of the Company shall continue without dissolution.

(b) The dissolution, liquidation or termination of a Member shall not cause the termination or dissolution of the Company, and the business of the Company shall continue without dissolution.

Article 9

Merger

9.1 ***Authority***. Subject to Section 6.1(a), the Company may merge or consolidate with one or more limited liability companies, corporations, business trusts or associations, real estate investment trusts, common law trusts or unincorporated businesses, including a general partnership or limited partnership, formed under the laws of the State of Delaware or any other jurisdiction, pursuant to a written agreement of merger or consolidation ("*Merger Agreement*") in accordance with this Article 9.

9.2 ***Procedure for Merger or Consolidation***. The merger or consolidation of the Company pursuant to this Article 9 requires the prior approval of a Majority Vote and compliance with Section 9.3. Upon such approval, the Merger Agreement shall set forth:

(a) The names and jurisdictions of formation or organization of each of the business entities proposing to merge or consolidate;

(b) The name and jurisdiction of formation or organization of the business entity that is to survive the proposed merger or consolidation ("*Surviving Business Entity*");

(c) The terms and conditions of the proposed merger or consolidation;

(d) The manner and basis of exchanging or converting the equity securities of each constituent business entity for, or into, cash, property or general or limited partnership or limited liability company interests, rights, securities or obligations of the Surviving Business Entity; and (i) if any general or limited partnership or limited liability company interests, rights, securities or obligations of any constituent business entity are not to be exchanged or converted solely for, or into, cash, property or general or limited partnership or limited liability company interests, rights, securities or obligations of the Surviving Business Entity, the cash, property or general or limited partnership or limited liability company interests, rights, securities or obligations of any general or limited partnership, limited liability company, corporation, trust or other entity (other than the Surviving Business Entity) which the holders of such interests, rights, securities or obligations of the constituent business entity are to receive in exchange for, or upon conversion of, their interests, rights, securities or obligations and (ii) in the case of securities represented by certificates, upon the surrender of such certificates, which cash, property or general or limited partnership or limited liability company interests, rights, securities or obligations of the Surviving Business Entity or any general or limited partnership, limited liability company, corporation, trust or other entity (other than the Surviving Business Entity), or evidences thereof, are to be delivered;

(e) A statement of any changes in the constituent documents or the adoption of new constituent documents (the articles or certificate of incorporation, articles of trust, declaration of trust, certificate or agreement of limited partnership or limited liability company or other similar charter or governing document) of the Surviving Business Entity to be effected by such merger or consolidation;

(f) The effective time of the merger or consolidation, which may be the date of the filing of the certificate of merger pursuant to Section 9.4 or a later date specified in or determinable in accordance with the Merger Agreement (*provided*, that if the effective time of the merger or consolidation is to be later than the date of the filing of the certificate of merger or consolidation, the effective time shall be fixed no later than the time of the filing of the certificate of merger or consolidation and stated therein); and

(g) Such other provisions with respect to the proposed merger or consolidation as are deemed necessary or appropriate by the Board of Directors.

9.3 ***Approval by Members of Merger or Consolidation***.

(a) The Board of Directors, upon its approval of the Merger Agreement, shall direct that the Merger Agreement be submitted to a vote of the Members, whether at a meeting or by written consent. A copy or a summary of the Merger Agreement shall be included in or enclosed with the notice of a meeting or the written consent.

(b) After approval by vote or consent of the Members, and at any time prior to the filing of the certificate of merger or consolidation pursuant to Section 9.4, the merger or consolidation may be abandoned pursuant to provisions therefor, if any, set forth in the Merger Agreement.

9.4 ***Certificate of Merger or Consolidation***. Upon the required approval by the Board of Directors and the Members of a Merger Agreement, a certificate of merger or consolidation shall be executed and filed with the Secretary of State of the State of Delaware in conformity with the requirements of the Act.

9.5 ***Effect of Merger or Consolidation***.

(a) At the effective time of the certificate of merger or consolidation:

(i) all of the rights, privileges and powers of each of the business entities that has merged or consolidated, and all property, real, personal and mixed, and all debts due to any of those business entities and all other things and causes of action belonging to each of those business entities shall be vested in the Surviving Business Entity and after the merger or consolidation shall be the property of the Surviving Business Entity to the extent they were property of each constituent business entity;

(ii) the title to any real property vested by deed or otherwise in any of those constituent business entities shall not revert and is not in any way impaired because of the merger or consolidation;

(iii) all rights of creditors and all liens on or security interest in property of any of those constituent business entities shall be preserved unimpaired; and

(iv) all debts, liabilities and duties of those constituent business entities shall attach to the Surviving Business Entity, and may be enforced against it to the same extent as if the debts, liabilities and duties had been incurred or contracted by it.

(b) A merger or consolidation effected pursuant to this Article 9 shall not (i) be deemed to result in a transfer or assignment of assets or liabilities from one entity to another having occurred or (ii) require the Company (if it is not the Surviving Business Entity) to wind up its affairs, pay its liabilities or distribute its assets as required under Article 8 of this Agreement or under the applicable provisions of the Act.

Article 10

Other Provisions

10.1 ***Entire Agreement***. This Agreement and the Exhibits hereto constitute the entire agreement between the Members with respect to the subject matter hereof.

10.2 ***Governing Law***. This Agreement is governed by and shall be construed in accordance with the laws of the State of Delaware. In the event of a direct conflict between the provisions of this Agreement and any mandatory, non-waivable provision of the Act, such provision of the Act shall control. If any provision of the Act provides that it may be varied or superseded in a limited liability company agreement (or otherwise by agreement of the members or managers of a limited liability company), such provision shall be deemed superseded and waived in its entirety if this Agreement contains a provision addressing the same issue or subject matter.

10.3 ***Non-Waiver***. No waiver by any Person of any one or more defaults by another Person in the performance of any of the provisions of this Agreement shall be construed as a waiver of any other default whether of a like kind or different nature.

10.4 ***Severability***. If any provision of this Agreement or the application thereof to any Member or circumstance is held invalid or unenforceable to any extent, (a) the remainder of this Agreement and the application of that provision to other Members or circumstances is not affected thereby, and (b) each Member shall negotiate in good faith to replace that provision with a new provision that is valid and enforceable and that puts each Member in substantially the same economic, business and legal position as it would have had if the original provision had been valid and enforceable.

10.5 ***Headings; Exhibits***. The headings used for the sections and articles herein are for convenience and reference purposes only and shall in no way affect the meaning or interpretation of the provisions of this Agreement. Any and all Exhibits referred to in this Agreement are, by such reference, incorporated herein and made a part hereof for all purposes.

10.6 ***Winding Up Arrangement***. All indemnity and audit rights shall survive the termination of this Agreement for the time period provided herein. All obligations provided in this Agreement shall remain in effect following the expiration or termination of this Agreement to the extent necessary to give full force and effect to the rights and obligations undertaken by the Members.

10.7 ***No Third Party Beneficiaries***. Nothing in this Agreement (except as provided in Section 6.5) shall provide any benefit to any third party or entitle any third party to any claim, cause of action, remedy or right of any kind, it being the intent of the Member that this Agreement shall not be construed as a third party beneficiary contract.

10.8 ***Counterparts***. This Agreement may be executed in several counterparts, each of which is an original and all of which constitute one and the same instrument.

10.9 ***Amendment or Restatement***. This Agreement or the Delaware Certificate may be amended only by a written instrument executed (or, in the case of the Delaware Certificate, approved) by the Member.

10.10 ***Notices***. Except as expressly set forth to the contrary in this Agreement, all notices, requests or consents provided for or permitted to be given under this Agreement must be in writing and must be delivered to the recipient at the address set forth in Exhibit A in person, by courier or mail or (with written confirmation of delivery) by facsimile, telegram, telex, cablegram or similar transmission; and a notice, request or consent given under this Agreement is effective on receipt by the Person to receive it. Whenever any notice is required to be given by Law, the Delaware Certificate or this Agreement, a written waiver thereof, signed by the Person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. By giving each other Member notice thereof, a Member may change its address for notices or add additional addresses for copies of notices.

10.11 ***Further Assurances***. In connection with this Agreement and the transactions contemplated hereby, each Member shall execute and deliver any additional documents and instruments and perform any additional acts that may be necessary or appropriate to effectuate and perform the provisions of this Agreement and those transactions.

10.12 ***Waiver of Certain Rights***. To the extent permitted by the Act and applicable Law, each Member irrevocably waives any right it may have to maintain any action for dissolution of the Company.

10.13 ***Creditors***. None of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Company.

10.14 ***Confidentiality***.

(a) Each Member agrees that it will not disclose to any Person or otherwise use to its benefit or to the benefit of any third party, including any Affiliate of such Member, in any way whatsoever any Confidential Information, without the consent of the Board or the Chief Executive Officer, except as may be necessary to comply with any Applicable Law, directive or procedure of any Governmental Authority. Each Member will notify the Company before disclosing such information pursuant to any such Applicable Law, directive or procedure to give the Company the opportunity to seek a protective order. The restrictions set forth in this Section 10.14 shall not apply to information that (i) is, or after the date of this Agreement,

becomes generally available to the public, other than through the wrongful act of any Person, (ii) after the date of this Agreement, is communicated to the Member disclosing such information in a non confidential manner by a third party without any breach of this Section 10.14 or breach of any confidentiality obligations of such third party to any of the Members or (iii) was or is already in the possession of the Person receiving such information at the time of its disclosure by the Member disclosing such information, *provided*, that such Person came into possession of such information through means other than that which would constitute a breach of this Section 10.14 or a breach of the confidentiality obligations of any third party to the Member disclosing such information. This Section 10.14 shall survive with respect to a former Member for a period of two years after the date that such Member ceases to be a Member.

(b) A Member that subsequently ceases to be a Member shall promptly destroy (and provide a certificate of destruction to the Company with respect to), or return to the Company, all Confidential Information in its possession.

(c) The Members agree that no adequate remedy at law exists for a breach or threatened breach of any of the provisions of this Section 10.14, the continuation of which unremedied will cause the Company to suffer irreparable harm. Accordingly, the Members agree that the Company shall be entitled, in addition to other remedies that may be available to them, to immediate injunctive relief from any breach of any of the provisions of this Section 10.14 and to specific performance of their rights hereunder, as well as to any other remedies available at law or in equity.

[Signature Page Follows]

IN WITNESS WHEREOF, the Member has executed this Agreement as of the Effective Date.

ENERGY TRANSFER EQUITY, L.P.

By: LE GP, LLC, its general partner

By: /s/ John W. McReynolds
John W. McReynolds, President

EXHIBITS

Exhibit

A — Sharing Ratios

B — Form of Certificate

Exhibit A

Sharing Ratios

Name and Address and Number of Units as of Effective Date	Unit Ownership	Sharing Ratio	Net Agreed Value of Capital Contributions
MEMBER:			
Energy Transfer Equity, L.P. 2828 Woodside Street Dallas, Texas 75204		100%	

The Units represented by this Certificate have been acquired for investment and were issued without registration under the Securities Act of 1933, as amended (the "*Securities Act*"), or under the securities laws of any state. These interests may not be sold, pledged, hypothecated, or otherwise transferred at any time except (i) in accordance with the restrictions contained in the Third Amended and Restated Limited Liability Company Agreement of Energy Transfer Partners, L.L.C. (the "*LLC Agreement*"), as amended from time to time, among the members of Energy Transfer Partners, L.L.C. and the other parties thereto and (ii) pursuant to an effective registration statement under the Securities Act and any applicable state securities laws unless an exemption from registration under the Securities Act and under any applicable state securities laws is available in connection with the transfer.

Certificate Evidencing Class Units
Representing Member Interests in
Energy Transfer Partners, L.L.C.

No. Units

In accordance with Section 3.3 of the Third Amended and Restated Limited Liability Company Agreement of Energy Transfer Partners, L.L.C., as amended, supplemented or restated from time to time (the "*LLC Agreement*"), Energy Transfer Partners, L.L.C., a Delaware limited liability company (the "*Company*"), hereby certifies that (the "*Holder*") is the registered owner of units representing limited partner interests in the Company (the "*Units*") transferable on the books of the Company, in person or by duly authorized attorney, upon surrender of this Certificate properly endorsed and accompanied by a properly executed application for transfer of the Units represented by this Certificate. The rights, preferences and limitations of the Units are set forth in, and this Certificate and the Units represented hereby are issued and shall in all respects be subject to the terms and provisions of, the LLC Agreement. Copies of the LLC Agreement are on file at, and will be furnished without charge on delivery of written request to the Company at, the principal office of the Company located at 2828 Woodside Street, Dallas, Texas 75204.

The Holder, by accepting this Certificate, is deemed to have (i) requested admission as, and agreed to become, a Member and to have agreed to comply with and be bound by and to have executed the LLC Agreement, (ii) represented and warranted that the Holder has all right, power and authority and, if an individual, the capacity necessary to enter into the LLC Agreement and (iii) made the waivers and given the consents and approvals contained in the LLC Agreement.

This Certificate shall not be valid for any purpose unless it has been signed and registered by the Company.

Dated: _____

Signed and Registered:

Energy Transfer Partners, L.L.C.

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

ENERGY TRANSFER PARTNERS, L.P.

AMENDED AND RESTATED
2004 UNIT PLAN

Energy Transfer Partners, L.L.C., a Delaware limited liability company (the "C*ompany"*), the general partner of Energy Transfer Partners GP, L.P., a Delaware limited partnership (the *"General Partner"*), as the general partner of Energy Transfer Partners, L.P. (the *"Partnership"*), established this Energy Transfer Partners, L.P. 2004 Unit Plan (the *"Plan"*), which Plan has been approved by the Board of Directors of the Company and the holders of a majority of the Units entitled to vote on such approval. The Company amended and restated the Plan in its entirety as of May 2, 2007. In order to evidence (i) an adjustment to the total number of Units (as defined in the Plan) that may be granted under the Plan from 900,000 Units to 1,800,000 Units in connection with the two-for-one split of all outstanding Units that was effected as of February 28, 2005, which adjustment was approved by the Compensation Committee pursuant to Section 3(b) of the Plan, and (ii) a change to the amount specified in Section 5(b) of the Plan from $15,000 to $25,000 as approved by the Board of Directors of the Company at a meeting held on October 17, 2006, the Company hereby amends and restates the Plan in its entirety as of June __, 2007 to provide as follows:

1. *Purpose*. The purpose of the Plan is to promote the interests of the General Partners and the Partnership by encouraging key officers and employees of the Partnership and its Subsidiaries, and the Director Participants of the Company and their successors to acquire or increase their ownership of limited partnership interests ("Units") in the Partnership and to provide a means whereby such individuals may develop a sense of proprietorship and personal involvement in the development and financial success of the Partnership, and to encourage them to devote their best efforts to the business of the Partnership, thereby advancing the interests of the Partnership and encouraging them to maximize the Partnership's value and ability to pay distributions to holders of its Common Units.

2. *Definitions*. As used in this Plan:

(a) *"Affiliate"* means any person that directly or indirectly controls, is controlled by, or is under common control with the person in question. As used in this definition, the term "control" means the possession, directly or indirectly, of the power to direct or cause a direction of the management and policies of a person whether through ownership of voting securities, by contract or otherwise. When used with reference to any individual, the term "Affiliate" shall also mean any person that is a relative (within the second degree consanguinity) or spouse of such individual or is a guardian of such individual or such spouse or is a trust or estate in which such individual owns a 5% or greater beneficial interest or of which such individual serves as trustee, executor or in any similar capacity.

(b) *"Annual Director's Grant"* means the annual grant of an Award of Units to a Director Participant as set forth in Section 5(b) hereof.

(c) "*Award*" means a notional grant or other right granted under the Plan, which upon vesting in accordance with the terms set forth for such Award, entitles the participants to receive Units or the Fair Market Value of such Units in cash, Options or Unit Appreciation Rights, as determined by the Committee.

(d) "*Board*" means the Board of Managers and Directors of the Company, as the general partner of the General Partner of the Partnership.

(e) "*Change in Control*" means any of:

(i) the date on which the General Partner ceases to be the general partner of the Partnership; or

(ii) the date that the Parent ceases to own, directly or indirectly through wholly-owned subsidiaries, in the aggregate of at least 51% of the capital stock or equity interests of the General Partner; or

(iii) the sale of all or substantially all of the assets of the Partnership (other than to any Affiliate of the Parent); or

(iv) a liquidation or dissolution of the Partnership.

(f) *"Committee"* means the Compensation Committee of the Board of Directors of the Company, in its capacity as the general partner of the General Partner of the Partnership.

(g) *"Common Units"* mean the common units representing limited partnership interests of the Partnership.

(h) *"Company"* means Energy Transfer Partners, L.L.C., the general partner of the General Partner.

(i) *"Date of Grant"* means (i) with respect to a grant of an Award to an Employee, the date specified by the Committee on which such grant is effective, and (ii) with respect to a grant of an Award to a Director Participant, the automatic date of grant as provided in Section 5.

(j) *"Director Participant"* means a manager and director of the Company, the general partner of the General Partner, or other similar manager of the governing body of the General Partner who is not also (i) a shareholder or a direct or indirect employee of any Parent, or (ii) a direct or indirect employee of the Company, the Partnership, or a Subsidiary.

(k) "*Disability*" means an illness or injury that lasts at least 6 months, is expected to be permanent and renders the Participant unable to carry out his or her duties to the Company and the Partnership, or any of their Subsidiaries.

(l) *"Effective Date"* means the date on which the Plan is approved by a majority of the holders of Units entitled to vote for such approval.

(m) "*Employee*" means any individual who is an officer or employee of the Company, the Partnership, or a Subsidiary of any such entity, rendering his or her primary service to the Partnership.

(n) "*Executive Officer*" means any individual who is an officer of the Company or has been designated by the Board as an executive officer of the Partnership.

(o) "*Fair Market Value*" means the fair market value of property (including, without limitation, any Units or other securities) as determined by such methods or procedures as shall be established from time to time by the Committee.

(p) "*General Partner*" means Energy Transfer Partners GP, L.P., the general partner of Energy Transfer Partners, L.P.

(q) "*Initial Director's Grant*" means the grant of an Award of up to 2,000 Units, made at the time such Director Participant is first elected or appointed to the Board, as set forth in Section 5(a) hereof.

(r) "*Option*" means an option to purchase units granted under the Plan.

(s) "*Parent*" means Energy Transfer Equity, L.P.

(t) "*Participant*" means an Employee or Executive Officer who is selected by the Committee to receive an Award and shall also include a Director Participant pursuant to Section 5.

(u) "*Partnership*" means Energy Transfer Partners, L.P.

(v) "*Partnership Agreement*" means the Amended and Restated Agreement of Limited Partnership of Energy Transfer Partners, L.P., as amended from time to time.

(w) "*Restricted Period*" means the period established by the Committee with respect to an Award during which the Award remains subject to forfeiture or is not exercisable by the Participant.

(x) "*Restricted Unit*" means a limited partnership interest in the Partnership represented by a Common Unit or other limited partner interest of the Partnership, as set forth in the Partnership Agreement, or any amendment thereto, as the securities of the Partnership, that is not registered pursuant to a registration statement and may be subject to certain restrictions limiting transferability under securities laws.

(y) "*Rule 16b-3*" means Rule 16b-3 of the Securities and Exchange Commission (or any successor rule to the same effect) as in effect from time to time.

(z) "*Subsidiary*" means any entity in which, at the relevant time, the General Partner or Partnership owns or controls, directly or indirectly, not less than 50% of the total combined voting power represented by all classes of equity interests issued by such entity.

(aa) *"Unit"* means a limited partnership interest in the Partnership represented by a Common Unit or other limited partner interest of the Partnership, as set forth in the Partnership Agreement, or any amendment thereto, as the securities of the Partnership.

(bb) *"Unit Appreciation Right" or "UAR"* means the right to receive a payment, in cash or in Units, equal to the excess of the Fair Market Value or other specified valuation of a specified number of Units on the date the unit appreciation right is exercised over a specified strike price, all as determined by the Committee.

3. *Units Available Under Plan.* The maximum number of Common Units that may be granted under this Plan is 1,800,000 net Units issued. Any Awards that are forfeited or which expire for any reason, or any Units which are not used in the settlement of an Award will again be available for grant under the Plan.

(a) Units to be delivered upon the vesting of Awards granted under the Plan may be: (i) Units acquired by the Company in the open market, (ii) Units already owned by the Company or General Partner, (iii) Units acquired by the Company or General Partner directly from the Partnership, or any other person, (iv) Units that are registered under a registration statement for this Plan, (v) Restricted Units, or (vi) any combination of the foregoing.

(b) In the event that the Committee determines that any distribution (whether in the form of cash, Units, other securities or other property), recapitalization, split, reverse split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Units or other securities of the Partnership, issuance of warrants or other rights to purchase Units or other securities of the Partnership, or other similar transaction or event affects the Units such that an adjustment is appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and type of Units (or other securities or property) with respect to which Awards may be granted, (ii) the number and type of Units (or other securities or property) subject to outstanding Awards, and (iii) the grant or exercise price with respect to any Award or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding Award; provided, that the number of Units subject to any Award shall always be a whole number.

(c) Any Award under Sections 4 and 6 of this Plan that is awarded or will vest based upon the achievement of performance objectives is intended to qualify as "qualified performance-based compensation" within the meaning of Section 162(m) of the Internal Revenue Code. If any provision of this Plan or any Award does not comply or is inconsistent with the requirement of Section 162(m), such provision shall be deemed to confer upon the Committee the discretion to increase the amount of compensation otherwise payable in connection with the settlement of any Award upon the attainment of the performance objectives.

4. *Employee Grants.* The Committee, in its discretion, may from time to time grant Awards to any Employee, upon such terms and conditions as it may determine appropriate and in accordance with the following general guidelines:

(a) Each Award will specify the number of Units to which it pertains.

(b) Each grant of an Award will specify the terms and conditions for the Participant to become vested in such Units. Unless earlier terminated, the rights to acquire the Units awarded will vest (i) over a period of five years from the Date of Grant at such times and in such amounts as the Committee shall determine; (ii) the date of the Participant's death or Disability, or (iii) on such terms as the Committee may establish which may include the achievement of performance objectives.

(c) The Committee may, in its discretion, designate any Award the exercisability or settlement of which is subject to the achievement of performance conditions as a performance-based Award subject to this Section 4, in order to qualify such Award as "qualified performance-based compensation" within the meaning of Section 162(m) of the Internal Revenue Code and regulations thereunder. The performance objectives for an Award under this Section 4 shall consist of one or more business criteria, as specified by the Committee. Performance objectives shall be objective and shall otherwise meet the requirements of Section 162(m)(4)(C) of the Code. The levels of performance required with respect to such business criteria may be expressed in absolute or relative levels. Achievement of performance objectives with respect to such Awards shall be measured over a period of not less than one (1) year nor more than five (5) years, as the Committee may specify. Performance objectives may differ for such Awards to different Participants. The Committee shall specify the weighting to be given to each performance objective for purposes of determining the final amount payable with respect to the settlement of any such Award. All determinations by the Committee as to the achievement of performance objectives shall be in writing. The Committee may not delegate any responsibility with respect to an Award subject to this Section 4.

(d) The Committee may, in its discretion, terminate or revoke an Award to any Employee that voluntarily terminates employment or who enters into competition with the Company or the Partnership after termination of employment.

(e) Each grant of an Award will be evidenced by a written notification executed on behalf of the Company by the Chief Executive Officer or the Chairman of the Compensation Committee of the Board and delivered to and accepted by the Participant, and shall contain such terms and provisions, consistent with this Plan, as the Committee may approve with respect to such Award, including provisions relating to the earlier vesting of the Units upon a Change in Control.

(f) Notwithstanding any of the foregoing, all outstanding Awards shall fully vest into Units upon any Change in Control.

5. *Director Grants*

(a) Each Director Participant who is elected or appointed to the Board for the first time after the Plan's effective date and each Director Participant on the date of the Plan's

effective date who has not previously received an Initial Director's Grant shall automatically receive, on the date of his or her election or appointment, an Award of up to 2,000 Units (the "*Initial Director's Grant*").

(b) Commencing on September 1, 2004, and each September 1 thereafter that this Plan is in effect, each Director Participant who is in office on such September 1, shall automatically receive an Award of Units equal to $25,000 divided by the Fair Market Value of a Common Unit on such date, rounded up to the nearest increment of ten Units (the "*Annual Director's Grant*").

(c) Each grant of an Award to a Director Participant will vest at the rate of 33 1/3% per year, beginning on the first anniversary of the date of the Award; provided, however, notwithstanding the foregoing, (i) all Awards to a Director Participant shall become fully vested upon a Change in Control, unless voluntarily waived by such Director Participant, and (ii) all Awards which have not yet vested on the date a Director Participant ceases to be a director shall vest on such terms as may be determined by the Committee.

(d) In the event that the number of Units available to be awarded under this Plan is insufficient to make all automatic grants to Director Participants as provided for in this Section 5 on the applicable date, all Director Participants who are entitled to receive a grant of an Award on such date shall share ratably in the number of Units then available for award under this Plan and thereafter shall have no right to receive any additional grants under this Section 5.

(e) Grants made pursuant to this Section 5 shall be subject to all of the terms and conditions of this Plan; however, if there is a conflict between the terms and conditions of this Section 5 and the terms and conditions of any other provision hereof, then the terms and conditions of this Section 5 shall control. The Committee may not exercise any discretion with respect to this Section 5 which would be inconsistent with the intent that this Plan meets the requirements of Rule 16b-3.

6. *Long-Term Incentive Grants.* The Committee may, from time to time, grant Awards under this Section 6 to any Executive Officer or any Employee it may designate as a Participant in accordance with the following general guidelines:

(a) An Award under this Section 6 shall consist of one or more of the following: (i) Options to purchase a specified number of Units at a specified exercise price, and shall be clearly designated in the Award as either an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code, or a "non-qualifying stock option" that is not intended to qualify as an incentive stock option under Section 422; (ii) Unit Appreciation Rights that specify the terms of the Fair Market Value of the Award on the date the stock appreciation right is exercised and the strike price; (iii) Units; or (iv) any combination hereof.

(b) The performance objectives for an Award under this Section 6 shall consist of one or more business criteria, as specified by the Committee and is intended to qualify such Award as "qualified performance-based compensation" within the meaning of Section 162(m) of the Internal Revenue Code. Performance objectives shall be

objective and expressed in absolute or relative levels, and shall otherwise meet the requirements of Section 162(m)(4)(C) of the Code. The periods for achievement of performance objectives shall be specified by the Committee within the Award. Performance objectives may differ for such Awards to different Participants. The Committee shall specify the weighting to be given to each performance objective for purposes of determining the final amount payable with respect to the settlement of any Award. All determinations by the Committee as to an Award or the achievement of performance objectives shall be in writing. The Committee may not delegate any responsibility with respect to an Award subject to this Section 6.

(c) The Committee shall have the authority to determine the Executive Officer or Employee to whom Options or UARs shall be granted, the number of Units to be covered by each Option or UAR, the exercise price therefore, the Restricted Period, and the conditions and limitations applicable to the exercise of the Option or UAR, that are not inconsistent with the provisions of the Plan.

(d) The exercise price per Unit purchasable under an Option or UAR shall be determined by the Committee at the time the Option or UAR is granted, and may be more or less than the Fair Market Value as of the date of the grant.

(e) The Committee shall determine the Restricted Period and the method or methods by which payment of the exercise price may be made or deemed to have been made, which may include, without limitation, cash, check acceptable to the Committee, a “cashless-broker” exercise through procedures approved by the Committee, or any combination thereof.

(f) Any Option or UAR granted hereunder shall be exercisable only by the Participant during the Participant’s lifetime, or by the person to whom the Participant’s rights shall pass by will or the laws of descent and distribution within the time periods specified by the Committee in the Award granting such Option or UAR.

(g) The Committee shall have the authority to determine the Awards which may be granted to an Executive Officer or Employee, including the number of Units for such Award, the target or performance criteria for such award, the Restricted Period, and the conditions and limitations applicable to the receipt of Units issued pursuant to the attainment of such target or performance levels, that are not inconsistent with the provisions of the Plan.

(h) An Award to an Executive Officer or Employee under Section 6 hereof may be terminated or revoked as to any Executive Officer or Employee who voluntarily terminates employment or who enters into competition with the Company or the Partnership after termination of employment, as determined by the Committee.

(i) Each grant of an Award pursuant to these Long-Term Incentive Grants will be evidenced by a written notification executed on behalf of the Company by the Chief Executive Officer or the Chairman of the Compensation Committee of the Board and delivered to and accepted by the Participant, and shall contain such terms and provisions, consistent with this Plan, as the Committee may approve with respect to such Award, including provisions relating to the earlier vesting of the Units upon a Change in Control.

(j) Notwithstanding any of the foregoing, all outstanding Awards made pursuant to a Long-Term Incentive Grant, shall fully vest into Units and all Options or UARs previously granted shall be required to be exercised upon any Change in Control.

7. *Transferability and Forfeiture.* No Awards granted under this Plan shall be transferable by a Participant other than (i) by will or the laws of descent and distributions; or (ii) to a trust for the benefit of such Participant or their immediate family. Except as otherwise provided by the Committee in the terms of the Award, upon termination of a Participant's employment during the applicable Restricted Period, all Awards that have not yet vested shall be forfeited by the Participant; provided, however, that if the reason for the termination is the Participant's death or Disability, all Awards shall vest automatically and all unexercised Options and UARs shall expire automatically if not exercised by the Participant or the person entitled to exercise such Option or UAR within the time periods designated by the Committee in the applicable Award. The Committee may, in its discretion, waive in whole or in part any forfeiture.

8. *Adjustments*. In the event that (i) any change is made to the Units deliverable under the Plan, or (ii) the Partnership makes any distribution of cash, Units or other property to Unitholders which results from the sale or disposition of a major asset or separate operating division of the Partnership or any other extraordinary event, and, in the judgment of the Committee, such change or distribution would significantly dilute the value of any Units awarded to the Participants hereunder, then the Committee may make appropriate adjustments in the maximum number of Units deliverable pursuant to an Award under the Plan and may make appropriate adjustments. The adjustments determined by the Committee shall be final, binding and conclusive.

9. *No Fractional Units.* The Company will not be required to deliver any fractional Units pursuant to this Plan. The Committee, in its discretion, may provide for the elimination of fractions or for the settlement of fractions in cash.

10. *Cash Payments*. The Committee shall have the authority to determine whether an Employee or an Executive Officer receives Units or an amount in cash that is equal to the Fair Market Value of such Units to which the Participant is entitled at the time such Award is made to an Employee or Executive Officer or at the time an Award granted to an Employee or Executive Officer vests.

11. *Withholding of Taxes.* To the extent that the Company is required to withhold federal, state, local or foreign taxes in connection with any grant of an Award, the issuance of Units upon vesting of an Award, in whole or in part, or payment made to a Participant or any other person under this Plan, it will be a condition to the receipt of such payment that the Participant or such other person make arrangements satisfactory to the Company for the payment of such taxes required to be withheld. In addition, a Participant may relinquish such Participant's right to a portion of the Units to which they are entitled in connection with the issuance of Units upon vesting of an Award, in whole or in part, as payment for such taxes. In the event a Participant gives written notice to the Company of such Participant's election to relinquish a portion of the Units to which such person is entitled to be issued upon the vesting of an Award, in whole or in

part, to satisfy the required tax withholding obligation, the Company shall make a cash payment to the Participant equal to the Fair Market Value of the Units to be relinquished as determined at the time of such payment (such payment not to exceed the amount of the taxes for which the relinquishment was made), and such Participant shall relinquish a number of Units equal to the amount of such cash payment divided by the Fair Market Value of a Unit at the time of such payment. Any Units relinquished shall be available for future issuance under the Plan by the Company.

12. *Rule 16b*-3. It is intended that the Plan and any Award granted to a person subject to Section 16 of the Securities and Exchange Act of 1934 meet all of the requirements of Rule 16b-3. If any provision of the Plan or any such grant would disqualify the Plan or such grant under, or would otherwise not comply with Rule 16b-3, such provision or grant shall be construed or deemed amended to conform to Rules 16b-3.

13. *Investment Representation*. Unless the Units subject to the Awards granted under the Plan have been registered under the Securities Act of 1933, as amended (the "1933 Act"), and, in the case of any Participant who may be deemed an affiliate (for securities law purposes) of the Company, the General Partner, or the Partnership, such Units have been registered under the 1933 Act for resale by such Participant, (or the Partnership has determined that an exemption from registration is available), the Company may require prior to and as a condition of the delivery of any Units that the person vesting under an Award hereunder furnish the Company with a written representation in a form prescribed by the Committee to the effect that such person is acquiring said Units solely with a view to investment for his or her own account and not with a view to resale or distribute all or any part hereof, and that such person will not dispose of any of such Units otherwise in accordance with the provisions of Rule 144 under the 1933 Act unless and until either the Units are registered under the 1933 Act or the Company is satisfied that an exemption from such registration is available.

14. *Compliance with Securities Laws*. Notwithstanding anything herein or in any other agreement to the contrary, the Partnership shall not be obligated to sell or issue any Units to the Company or General Partner under the Plan unless and until the Partnership is satisfied that such sale or issuance complies with (i) all applicable requirements of the securities exchange on which the Units are traded (or the governing body of the principal market in which such Units are traded, if such Units are not then listed on an exchange, (ii) all applicable provisions of the 1933 Act, and (iii) all other laws or regulations by which the Partnership is bound or to which the Partnership is subject. The Company acknowledges that, as the general partner of the General Partner of the Partnership, it is an affiliate of the Partnership under securities laws and it shall comply with such laws and obligations of the Partnership relating thereto as if they were directly applicable to the Company.

15. *Administration of the Plan*.

(a) This Plan will be administered by the Compensation Committee of the Board of Directors, which at all times will consist entirely of not less than three directors appointed by the Board, each of whom will be a "disinterested person" within the meaning of Rule 16b-3. A majority of the Committee will constitute a quorum, and the action of the members the Committee present at any meeting at which a quorum is present, or acts unanimously approved in writing, will be the acts of the Committee.

(b) Subject to the terms of the Plan and applicable law, the Committee shall have the sole power, authority and discretion to: (i) designate the Employees or Executive Officers who are to be Participants; (ii) determine the number of Awards to be granted to an Employee or Executive Officer; (iii) determine the terms and conditions of any grant of an Award to be granted to an Employee or Executive Officer; (iv) interpret, construe and administer the Plan and any instrument or agreement relating to Awards granted under the Plan; (v) establish, amend, suspend, or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; (vi) make a determination as to the right of any person to receive payment of (or with respect to) Units; and (vii) make any other determinations and take any other actions that the Committee deems necessary or desirable for the administration of the Plan.

(c) The Committee may correct any defect, supply any omission, or reconcile any inconsistency in the Plan or any grant of an Award under the Plan, in the manner and to the extent it shall deem desirable in the establishment or administration of the Plan.

16. *Amendments, Terminations, Etc*.

(a) This Plan may be amended from time to time by the Board; provided however, that no amendment will be made without the approval of a majority of the Unitholders (i) if such amendment would require Unitholder approval under the rules and regulations of the New York Stock Exchange or the Securities and Exchange Commission; (ii) that would extend the maximum period during which an Award may be granted under the Plan; (iii) materially increase the cost of the Plan to the Partnership; or (iv) result in this Plan no longer satisfying the requirements of Rule 16b-3. Further, the provisions of Section 5 may not be amended more than once every six months other than to comport with changes in the Internal Revenue Code, the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder.

(b) This Plan will not confer upon any Participant any right with respect to continuance of employment or other service with the Company, the General Partner or the Partnership, or any Subsidiary, nor will it interfere in any way with any right the Company, the General Partner, the Partnership, or any Subsidiary would otherwise have to terminate such Participant’s employment or other service at any time.

(c) This Plan shall terminate no later than the 10th anniversary of its original effective date.

17. *Governing Law*. The validity, construction and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with applicable Federal law, and to the extent not preempted thereby, with the laws of the State of Delaware.

Exhibit 10.55

EXECUTION COPY

TRANSWESTERN PIPELINE COMPANY, LLC

$270,000,000

5.39% Senior Unsecured Notes due November 17, 2014

and

$250,000,000

5.54% Senior Unsecured Notes due November 17, 2016

NOTE PURCHASE AGREEMENT

DATED NOVEMBER 17, 2004

TABLE OF CONTENTS

TRANSWESTERN PIPELINE COMPANY, LLC
1331 Lamar, Suite 650
Houston, Texas 77010
5.39% Senior Unsecured Notes due November 17, 2014
5.54% Senior Unsecured Notes due November 17, 2016

November 17, 2004

TO EACH OF THE PURCHASERS LISTED IN SCHEDULE A HERETO:

Ladies and Gentlemen:

TRANSWESTERN PIPELINE COMPANY, LLC, a Delaware limited liability company (the "Company"), agrees with each of the purchasers whose names appear at the end hereof (each, a "Purchaser" and, collectively, the "Purchasers") as follows:

Section 1. AUTHORIZATION OF NOTES.

The Company will authorize the issue and sale of: (i) $270,000,000 aggregate principal amount of its 5.39% Senior Unsecured Notes due November 17, 2014 (the "Series A Notes"), and (ii) $250,000,000 aggregate principal amount of its 5.54% Senior Unsecured Notes due November 17, 2016 (the "Series B Notes" and together with the Series A Notes, the "Notes"). The term "Notes" shall also include any such notes issued in substitution therefor pursuant to Section 13 of this Agreement. In addition, the Notes shall be substantially in the forms set forth in Exhibit 1(a) and Exhibit 1(b), respectively.

Certain capitalized terms used in this Agreement are defined in Schedule B; reference to a "Schedule" or an "Exhibit" are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement.

Section 2. SALE AND PURCHASE.

Subject to the terms and conditions of this Agreement, the Company will issue and sell to each Purchaser and each Purchaser will purchase from the Company, at the Closings provided for in Section 3, the Series A Notes and/or the Series B Notes, as the case may be, in the principal amount specified opposite such Purchaser's name in Schedule A at the purchase price of 100% of the principal amount thereof. The Purchasers' obligations hereunder are several and not joint obligations and no Purchaser shall have any liability to any Person for the performance or non-performance of any obligation by any other Purchaser hereunder.

Section 3. CLOSING.

The sale and purchase of $250,000,000 aggregate principal amount of the Series A Notes and the entire aggregate principal amount of the Series B Notes to be purchased by each

Purchaser shall occur at the offices of Simpson Thacher & Bartlett LLP, 425 Lexington Avenue, New York, NY 10017, at 11:00 a.m., New York time, at a closing on November 17, 2004 or on such other Business Day thereafter on or prior to December 17, 2004 as may be agreed upon by the Company and the Purchasers (the "First Closing"). The sale and purchase of $20,000,000 aggregate principal amount of the Series A Notes to be purchased by the Purchasers indicated on Schedule A hereto shall occur at the offices of Dewey Ballantine LLP, 1301 Avenue of the Americas, New York, NY 10019, at 10:00 a.m., New York time, at a closing on March 15, 2005; *provided*, *however*, the sale and purchase of such Series A Notes may close on a date prior to March 15, 2005, so long as the Company has delivered to each Purchaser of such Series A Notes written notice specifying the proposed date for such sale and purchase within ten (10) Business Days prior to such proposed date and each such Purchaser has acknowledged and accepted such proposed date as the date of such sale and purchase (if the Company has not received an acknowledgment and acceptance or a rejection of such proposed date from any such Purchaser within five (5) Business Days after receipt of such notice, such Purchaser shall be deemed to have rejected such proposed date as the date of such sale and purchase) (the "Second Closing", and, together with the First Closing, sometimes hereinafter referred to as a, the, each, or such "Closing" and collectively referred to as the "Closings"). At each Closing, the Company will deliver to each Purchaser the Notes to be purchased by such Purchaser at such Closing in the form of a single Series A Note and/or Series B Note, as the case may be, (or such greater number of Series A Notes and/or Series B Notes, as the case may be, in denominations of at least $100,000 as such Purchaser may request) dated as of the date of such Closing and registered in such Purchaser's name (or in the name of its nominee), against delivery by such Purchaser to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds to such account(s) designated by the Company in the letter provided pursuant to Section 4.10 of this Agreement or at such other account(s) as shall be specified in writing to the Purchasers. If at the First Closing or the Second Closing the Company shall fail to tender such Notes to any Purchaser that is scheduled to purchase Notes on such date as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to such Purchaser's satisfaction, such Purchaser shall, at its election, be relieved of all further obligations under this Agreement.

Section 4. CONDITIONS TO CLOSING.

Each Purchaser's obligation to purchase and pay for the Notes to be sold to such Purchaser at each Closing in which such Purchaser is purchasing any Notes is subject to the fulfillment to such Purchaser's satisfaction, prior to or at such Closing, of the following conditions:

Section 4.1. Representations and Warranties.

The representations and warranties of the Company in this Agreement shall be true and correct when made and as of the date of such Closing (other than any such representations and warranties that, by their express terms, refer to a specific date other than the date of such Closing, in which case, shall be true and correct as of such specific date). The statements of the Company and its respective officers or Responsible Officers made in any certificates delivered pursuant to this Agreement shall be true and correct, in all material respects, when made and as of the date of such Closing (other than any such statements that, by their express terms, refer to a specific date other than the date of such Closing, in which case, shall be true and correct as of such specific date).

Section 4.2. Performance; No Default.

The Company shall have performed and complied, in all material respects, with all agreements and conditions contained in this Agreement and the Notes required to be performed or complied with by it prior to or at such Closing and, after giving effect to the issue and sale of the Notes (and the application of the proceeds thereof as contemplated by Section 5.14) and of all other Debt to be issued by the Company as of the date of such Closing, no Default or Event of Default shall have occurred and be continuing. The Company shall not have entered into any transaction since the date of the Memorandum that remains in effect after the closing of the CrossCountry Acquisition and would be in violation of Section 9(g) had such Section applied since such date.

Section 4.3. Compliance Certificates.

(a) *Officer's Certificate*. The Company shall have delivered to such Purchaser an Officer's Certificate, dated as of the date of such Closing, certifying that the conditions specified in Sections 4.1, 4.2, 4.9 and 4.13, as applicable, have been fulfilled.

(b) *Secretary's Certificate*. The Company shall have delivered to such Purchaser a certificate of its Secretary or Assistant Secretary, dated as of the date of such Closing, certifying as to, among other things, (i) the completeness and correctness of the limited liability company agreement attached thereto, (ii) the completeness and correctness of one or more resolutions or other authorizations attached thereto and other limited liability company proceedings relating to the authorization, execution and delivery of the Notes and this Agreement, (iii) the completeness and correctness of the bylaws or other governing documents of the Company as in effect on the date on which the resolutions referred to in clause (ii) above were adopted as of the date of such Closing, (iv) the due organization and good standing of the Company under the laws of its jurisdiction of organization, and the absence of any proceeding for the dissolution or liquidation of the Company, (v) the names and true signatures of the officers of the Company authorized to sign this Agreement, the Notes and the other documents to be delivered hereunder.

Section 4.4. Opinions of Counsel.

Such Purchaser and its counsel shall have received opinions in form and substance satisfactory to such Purchaser, dated as of such Closing from (a) Simpson Thacher & Bartlett LLP, counsel for the Company, covering the matters set forth in Exhibit 4.4(a) and covering such other matters incident to the transactions contemplated hereby as such Purchaser or its counsel may reasonably request (and the Company hereby instructs its counsel to deliver such opinion to the Purchasers), (b) Drew Fossum, Esq., General Counsel to the Company, covering the matters set forth in Exhibit 4.4(b) and covering such other matters incident to the transactions contemplated hereby as such Purchaser or its counsel may reasonably request, and (c) Dewey Ballantine LLP, the Purchasers' special counsel in connection with the transactions contemplated hereby, and covering such other matters incident to such transactions as such Purchaser may reasonably request.

Section 4.5. Purchase Permitted By Applicable Law, Etc.

On the date of such Closing, such Purchaser's purchase of Notes shall (a) be permitted by the laws and regulations of each jurisdiction to which such Purchaser is subject, without recourse to provisions (such as section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (b) not violate any applicable Law or regulation (including, without limitation, Regulation T, U or X of the Board of Governors of the Federal Reserve System) and (c) not subject such Purchaser to any tax, penalty or liability under or pursuant to any applicable Law or regulation, which Law or regulation was not in effect on the date hereof. If requested by such Purchaser at least three Business Days prior to the date of such Closing, such Purchaser shall have received an Officer's Certificate certifying as to such matters of fact concerning the Company as such Purchaser may reasonably specify to enable such Purchaser to determine whether such purchase is so permitted.

Section 4.6. Sale of Other Notes.

Contemporaneously with such Closing, the Company shall sell to each other Purchaser and each other Purchaser shall purchase the Notes to be purchased by it at such Closing as specified in Schedule A.

Section 4.7. Payment of Special Counsel Fees.

Without limiting the provisions of Section 15.1, the Company shall have paid on or before such Closing the reasonable fees, charges and disbursements of the Purchasers' special counsel referred to in Section 4.4 to the extent reflected in a statement of such counsel rendered to the Company at least one Business Day prior to such Closing.

Section 4.8. Private Placement Number.

A Private Placement Number issued by S&P's CUSIP Service Bureau (in cooperation with the Securities Valuation Office of the National Association of Insurance Commissioners) shall have been obtained for each of the Series A Notes and the Series B Notes.

Section 4.9. Changes in Corporate Structure.

Except as contemplated by the CrossCountry Acquisition and the conversion of the Company from a corporation to a limited liability company, the Company shall not have changed its jurisdiction of organization or been a party to any merger or consolidation or succeeded to all or any substantial part of the liabilities of any other entity, at any time following June 30, 2004.

Section 4.10. Funding Instructions.

At least two Business Days prior to the date of such Closing, each Purchaser shall have received written instructions signed by a Responsible Officer on letterhead of the Company or CCE Holdings confirming the information specified in Section 3 including (i) the name and address of the transferee bank, (ii) such transferee bank's ABA number and (iii) the account name and number into which the purchase price for the Notes is to be deposited.

Section 4.11. Proceedings and Documents.

All limited liability company, corporate and other proceedings in connection with the transactions contemplated by this Agreement and the Notes and all other documents and instruments incident to such transactions shall be satisfactory to such Purchaser and its special counsel, and such Purchaser and its special counsel shall have received all such counterpart originals or certified or other copies of such documents as such Purchaser or such special counsel may reasonably request.

Section 4.12. Acquisition Agreement.

(a) There shall not exist any event or condition that would result in a condition precedent to closing set forth in Article VII of the CrossCountry Acquisition Agreement not being satisfied and thereby permitting CCE Holdings not to consummate the transactions contemplated by the CrossCountry Acquisition Agreement (or, in the case of the Second Closing, such consummation shall have occurred prior to the date of the Second Closing).

(b) Prior to the issuance of the Notes in accordance with the terms of this Agreement, the CrossCountry Acquisition shall have been consummated (or, in the case of the Second Closing, such consummation shall have occurred prior to the date of the Second Closing) on terms and conditions substantially as set forth in (i) the CrossCountry Acquisition Agreement, modified to require pre-closing conversion of corporate Subsidiaries of CrossCountry to limited liability companies, and as otherwise amended or modified in a manner not adverse to the Purchasers (as determined in the reasonable discretion of the Purchasers) and (ii) the letter agreement dated September 1, 2004 between General Electric Capital Corporation and Southern Union Company and the term sheet attached thereto as Attachment B, in each case relating to the formation of CCE Holdings in connection with the CrossCountry Acquisition.

Section 4.13. No Legal Impediment to Issuance.

No action shall have been taken or, to the best knowledge of the Company, be threatened, and no statute, rule, regulation or order shall have been enacted, adopted or issued by any Governmental Authority that would, as of the date of such Closing, prevent the issuance or sale of the Notes; and no injunction or order of any other nature by any Governmental Authority shall have been issued or shall be pending or, to the best knowledge of the Company, threatened that would, as of the date of such Closing, prevent the issuance or sale of the Notes.

Section 4.14. Existing Credit Facility.

Such Purchaser or its counsel shall have received on or prior to the First Closing:

(a) contemporaneously with the issuance of the Notes to be issued at the First Closing pursuant to the terms of this Agreement, evidence that (i) the Company shall have repaid all of the Existing Credit Facility, (ii) the commitments of the lenders thereunder shall have been terminated and (iii) there shall be in place arrangements for the release of any liens and security interests in respect of the Existing Credit Facility reasonably satisfactory to the administrative agent under the New Credit Facility;

(b) a copy of the "pay-off" letter with respect to the Existing Credit Facility reasonably satisfactory to the administrative agent under the New Credit Facility duly executed by each of the parties thereto.

Section 4.15. Rating.

Such Purchaser or its counsel shall have received a letter, dated on or prior to such Closing, from S&P, assigning a rating to each of the Series A Notes and the Series B Notes of at least BBB; *provided*, *however*, that, to the extent such letter is dated prior to the date of such Closing, no Ratings Downgrade shall have occurred.

Section 4.16. Holdco Debt; New Credit Facility.

Contemporaneously with the issuance of the Notes to be issued at the First Closing pursuant to the terms of this Agreement, (a) the Company shall have entered into the New Credit Facility on terms and conditions previously disclosed to such Purchaser and (b) Holdco shall issue the Holdco Notes pursuant to the Holdco Note Agreement and shall have entered into the Holdco Credit Facility on terms and conditions previously disclosed to such Purchaser.

Section 4.17. Administrative Services Agreement.

Prior to the First Closing, CCE Holdings shall have entered into an administrative services agreement with a Southern Union Company Entity that is reasonably satisfactory in form and substance to the administrative agent under the New Credit Facility.

Section 5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to each Purchaser that:

Section 5.1. Organization; Power and Authority.

The Company (i) is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware, (ii) is duly qualified and in good standing in each other jurisdiction in which it owns or leases property or in which the conduct of its business requires it to so qualify or be licensed except, where the failure to so qualify or be in good standing would not be reasonably expected to have a Material Adverse Effect and (iii) has all requisite limited liability company power and authority (including, without limitation, all Governmental Authorizations) to own or lease and operate its properties, to carry on its business as now conducted and as proposed to be conducted, to execute this Agreement and the Notes and to perform the provisions hereof and thereof except, in the case of Governmental Authorizations, where the failure to have any such Governmental Authorizations could not reasonably be expected to have a Material Adverse Effect.

Section 5.2. Authorization, Etc.

This Agreement and the Notes have been duly authorized by all necessary limited liability company action on the part of the Company, and this Agreement and the Notes constitute, and upon execution and delivery thereof will constitute, a legal, valid and binding

obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 5.3. Disclosure.

The Company, through its agents, J.P. Morgan Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Inc., has delivered to you and each other Purchaser a copy of a Private Placement Memorandum, dated October 2004 (the "Memorandum"), relating to the transactions contemplated hereby. The Memorandum fairly describes, in all material respects, the general nature of the business and principal properties of the Company. This Agreement, the Notes, the Memorandum, the CrossCountry Acquisition Agreement, the documents, certificates or other writings by or on behalf of the Company in connection with the transactions contemplated hereby and the financial statements described in Section 5.5, (this Agreement, the Notes, the Memorandum, the CrossCountry Acquisition Agreement, and such documents, certificates or other writings and such financial statements being referred to, collectively, as the "Disclosure Documents") taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made; *provided*, that, with respect to projected and pro forma financial information provided in connection with the Memorandum, the Company represents only that such information was prepared in good faith based upon estimates and assumptions believed by the Company to be accurate and reasonable at the time. Since December 31, 2003, there has not occurred any event or condition, which, individually or in the aggregate, has had or could reasonably be expected to have a Material Adverse Effect.

Section 5.4. Organization and Ownership of Equity Interests of Subsidiaries; Affiliates.

As of the First Closing, the only Subsidiary of Holdco is the Company and the Company has no Subsidiaries. Holdco owns 100% of the Equity Interests of the Company.

Section 5.5. Financial Statements.

The Company has delivered to the Purchasers (i) the Consolidated balance sheet of the Company and its Subsidiaries as at December 31, 2003, 2002 and 2001 and the related Consolidated statement of income and Consolidated statement of cash flows of the Company and its Subsidiaries for the Fiscal Year then ended, accompanied, in the case of the Company's Consolidated audited financial statements for the year ended December 31, 2003, by either (A) an unqualified opinion of Deloitte & Touche LLP, independent public accountants, or (B) an opinion of Deloitte & Touche LLP qualified only by reason of the Cases and the short-term nature of a 2001 bank credit facility, and (ii) the Consolidated balance sheet of the Company and its Subsidiaries as at June 30, 2004 and the related Consolidated statement of income and Consolidated statement of cash flow of the Company and its Subsidiaries for the six-month period then ended. Such financial statements present fairly, in all material respects (taking into account the anticipated restatement of financial statements described on Schedule 5.5), the

Consolidated financial condition of the Company and its Subsidiaries as at such dates and the Consolidated results of operations of the Company and its Subsidiaries for the periods ended on such dates, all in accordance with GAAP applied on a consistent basis, subject to normal year-end adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) above.

Section 5.6. No Conflict, Other Instruments, Etc.

The execution, delivery and performance by the Company of this Agreement and the Notes, as applicable, and the consummation of the transactions contemplated hereby, do not (i) contravene the Company's organizational documents, (ii) violate any Law (other than with respect to any prohibited transaction as defined in Section 406 of ERISA or Section 4975 of the Code or violation of Part 4 of Title I of ERISA, as to which no representation is being made), (iii) conflict with or result in the breach of, or constitute a default or require any material payment to be made under any contract, loan agreement, indenture, mortgage, deed of trust, lease or other instrument binding on or affecting the Company or any of its Properties, (iv) result in or require the creation or imposition of any Lien upon or with respect to any of the Properties of the Company, except for (A) in the case of clauses (iii) and (iv) (other than with respect to the consummation of the transactions contemplated hereby), breaches of any such contract, loan agreement, indenture, mortgage, deed of trust, lease or other instrument or creation of a Lien that could not be reasonably expected to have a Material Adverse Effect and (B) in the case of clauses (iii) and (iv) with respect to the consummation of the transactions contemplated hereby, breaches of any such contract, loan agreement, indenture, mortgage, deed of trust, lease or other instrument or creation of a Lien that to the knowledge of the Company could not be reasonably expected to have a Material Adverse Effect.

Section 5.7. Governmental Authorizations, Etc.

No Governmental Authorization, and no notice to or filing with, any Governmental Authority (including, without limitation, the SEC under PUHCA) or any other third party, is required in connection with the execution, delivery or performance by the Company of this Agreement and the Notes and the transactions contemplated herein or therein (including without limitation, the incurrence of Debt under this Agreement and the Notes and the repayment thereof and the exercise by any holder of Notes of its rights under the Loan Documents), except for those authorizations, approvals, actions, notices and filings with respect to the consummation of the transactions contemplated hereby, (A) which have been duly obtained or made or (B) the failure of which to be obtained or made could not reasonably be expected to have a Material Adverse Effect.

Section 5.8. Litigation.

Except as set forth on Schedule 5.8, there is no action, suit, investigation or proceeding pending or, to the knowledge of the Company, threatened against or affecting the Company, including any Environmental Action in any court or before any arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, (i) could be reasonably expected to have a Material Adverse Effect, or (ii) purports to affect the legality or validity, or enforceability of this Agreement and the Notes or the consummation of the transactions contemplated hereby.

Section 5.9. Taxes.

(a) The Company has filed or caused to be filed all United States federal income tax returns and all other material domestic tax returns which to the knowledge of the Company are required to be filed by the Company and has paid or provided for the payment, before the same become delinquent, of all taxes due pursuant to such returns or pursuant to any assessment received by the Company, other than (i) those taxes contested in good faith by appropriate proceedings, and (ii) any such payment in an amount not to exceed $1,000,000 in the aggregate at any time outstanding.

(b) The Company is not a party to any tax sharing agreement or arrangement that will remain in effect after the consummation of the CrossCountry Acquisition.

Section 5.10. Title to Property; Leases.

The Company has good and valid title to, or holds a valid leasehold, license or other interest in, or right of way easement through all items of real property used by it in the ordinary course of business with such exceptions as would not reasonably be expected to have, in the aggregate, a Material Adverse Effect, in each case free and clear of all Liens (except for (i) all Liens set forth on Schedule 5.10, (ii) Permitted Liens and (iii) such other Liens that would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect). With respect to each material parcel of real property that is leased by the Company as tenant (the "Leased Real Property"), to the knowledge of the Company, (x) the Company has not received any notice of default under any lease pertaining to any of the Leased Real Property in the twelve (12) month period prior to the date hereof and (y) there are no uncured defaults under any lease without regard to when notice may have been given that would give the counterparty the right to terminate such lease, in each case with such exceptions as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

Section 5.11. Licenses, Permits, Etc.

Except as set forth on Schedule 5.11, the Company does not have any interest in any material patents, patent licenses, copyrights, service marks, trademarks and trade names. To the Company's knowledge, the use of any intellectual property set forth on Schedule 5.11 by the Company does not conflict with the asserted rights of others, with such exceptions as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

Section 5.12. Compliance with ERISA.

(a) No ERISA Event has occurred during the prior five year period or is reasonably expected to occur with respect to any Plan that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect.

(b) Neither the Company nor any ERISA Affiliate has incurred or is reasonably expected to incur any Withdrawal Liability to any Multiemployer Plan, which could reasonably be expected to have a Material Adverse Effect.

(c) Neither the Company nor any ERISA Affiliate has been notified by the sponsor of a Multiemployer Plan that (x) such Multiemployer Plan is in reorganization or has been terminated, within the meaning of Title IV of ERISA or (y) such Multiemployer Plan is reasonably expected to be in reorganization or to be terminated, within the meaning of Title IV of ERISA.

Section 5.13. Private Offering by the Company.

Neither the Company nor anyone acting on its behalf has offered the Notes or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any person other than the Purchasers and not more than 100 other Institutional Investors, each of which has been offered the Notes at a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Notes to the registration requirements of Section 5 of the Securities Act or to the registration requirements of any securities or blue sky laws of any applicable jurisdiction.

Section 5.14. Use of Proceeds; Margin Regulations.

The Company shall use the proceeds of the sale of the Notes solely to refinance (a) a portion of the refinancing of the Existing Credit Facility and (b) a portion of the acquisition costs for the CrossCountry Acquisition. No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221) ("Regulation U"), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). The Company owns no margin stock. As used in this Section, the terms "margin stock" and "purpose of buying or carrying" shall have the meanings assigned to them in said Regulation U.

Section 5.15. Existing Indebtedness.

Set forth on Schedule 5.15 hereto is a complete and accurate list, as of the date of the First Closing, of each item of Debt of the Company in principal amount outstanding in excess of $5,000,000 immediately before the occurrence of the First Closing, showing as of such date the obligor and the principal amount outstanding thereunder.

Section 5.16. Foreign Assets Control Regulations, Etc.

(a) Neither the sale of the Notes by the Company hereunder nor its use of the proceeds thereof will violate the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto.

(b) The Company (i) is not a Person described or designated in the Specially Designated Nationals and Blocked Persons List of the Office of Foreign Assets Control or in Section 1 of the Anti-Terrorism Order or (ii) does not engage in any dealings or transactions with any such Person. The Company is in compliance, in all material respects, with the USA Patriot Act.

(c) No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended, assuming in all cases that such Act applies to the Company.

Section 5.17. Regulatory Matters.

The Company is not, and will not be after giving effect to the offering of the Notes and the execution of this Agreement and the Notes, as applicable, subject to regulation under the ICC Termination Act of 1995, as amended. After giving effect to the CrossCountry Acquisition, the Company is not a "holding company," a "subsidiary company" of a "holding company" or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," within the meaning of PUHCA. The Company is not an "investment company," as such term is defined in the Investment Company Act of 1940, as amended.

Section 5.18. Environmental Matters.

(a) Except, in each case, as would not reasonably be likely to have a Material Adverse Effect, the operations and properties of the Company comply in all respects with all applicable Environmental Laws and Environmental Permits, all past non-compliance with such Environmental Laws and Environmental Permits has been resolved without ongoing obligations or costs, and no circumstances exist that could be reasonably expected to (i) form the basis of an Environmental Action against the Company or any of its properties or (ii) cause any such property to be subject to any restrictions on ownership, occupancy, use or transferability under any Environmental Law.

(b) Except, in each case, as would not be reasonably expected to have a Material Adverse Effect, none of the properties currently or formerly owned or operated by the Company is listed or proposed for listing on the NPL or on the CERCLIS or any analogous foreign, state or local list or is adjacent to any such property; and Hazardous Materials have not been released, discharged or disposed of on any property currently or formerly owned or operated by the Company.

(c) All Hazardous Materials generated, used, treated, handled or stored at, or transported to or from, any property currently or formerly owned or operated by the Company have been, to the extent they are disposed of, disposed of in a manner that would not be reasonably expected to result in a Material Adverse Effect.

Section 5.19. Independent Accountants.

Deloitte & Touche LLP, who have certified the financial statements of the Company for the fiscal year ended December 31, 2003, are independent public accountants with respect to the

Company within the meaning of Rule 101 of the Code of Professional Conduct of the American Institute of Certified Public Accountants and its interpretations and rulings thereunder.

Section 5.20. Insurance.

As of the date of each Closing, the Company has insurance with responsible and reputable insurers covering its Properties against loss or damage of the kinds customarily insured against by companies similarly situated in the industry in which the Company conducts its business, in such amounts and with such deductibles as is customary for similarly situated companies; and the Company (i) has not received notice from any insurer or agent of such insurer that any material capital improvements or other material expenditures are required or necessary to be made in order to continue such insurance or (ii) does not have any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage at commercially available rates from similar insurers as may be necessary to continue its business.

Section 5.21. Notes Pari Passu.

The Notes do and shall rank *pari passu* with the Company's unsecured senior Debt (including, without limitation, Debt incurred in accordance with the terms of the New Credit Facility).

Section 5.22. Representations and Warranties Applicable to Subsidiaries.

To the extent the Company forms or acquires any Person as a Subsidiary of the Company in accordance with the terms of this Agreement between the date of the First Closing and the date of the Second Closing, the representations and warranties contained in Sections 5.1 through 5.21 and Section 5.23 made on the Second Closing shall be deemed made by the Company with respect to each such Subsidiary so formed or acquired.

Section 5.23. Compliance with Rules, Regulations and Laws.

The Company is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

Section 6. REPRESENTATIONS OF THE PURCHASER.

Section 6.1. Purchase for Investment.

Each Purchaser severally represents that it is purchasing the Notes for its own account or for one or more separate accounts maintained by such Purchaser or for the account of one or more pension or trust funds and not with a view to the distribution thereof, provided that the disposition of such Purchaser's or their property shall at all times be within such Purchaser's or their control. Each Purchaser understands that the Notes have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by Law, and that the Company is not required to register the Notes.

Section 7. INFORMATION AS TO COMPANY.

Section 7.1. Financial and Business Information.

For so long as any Note is outstanding the Company shall deliver to each holder of Notes that is an Institutional Investor:

(a) *Quarterly Financials*. As soon as available and in any event within 45 days after the end of each of the first three quarters of each Fiscal Year, Consolidated balance sheets of the Company and its Subsidiaries as of the end of such quarter and Consolidated statements of income and a Consolidated statement of cash flows of the Company and its Subsidiaries for the period commencing at the end of the previous fiscal quarter and ending with the end of such fiscal quarter and Consolidated statements of income and a Consolidated statement of cash flows of the Company and its Subsidiaries for the period commencing at the end of the previous Fiscal Year and ending with the end of such quarter, setting forth in each case in comparative form the corresponding figures for the corresponding date or period of the preceding Fiscal Year, all in reasonable detail and duly certified (subject to normal year-end audit adjustments) by a Senior Financial Officer of the Company as having been prepared in accordance with GAAP, and together with (i) a certificate of such officer stating that no Default or Event of Default has occurred and is continuing or, if a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof and the action that the Company has taken and proposes to take with respect thereto and (ii) a schedule, delivered and signed by such officer, of the computations used by the Company in determining compliance with the covenants contained in Section 10(i), provided that in the event of any change in generally accepted accounting principles used in the preparation of such financial statements, the Company shall also provide, if necessary for the determination of compliance with Section 10(i), a statement of reconciliation conforming such financial statements to GAAP;

(b) *Annual Financials*. As soon as available and in any event within 90 days after the end of each Fiscal Year, a copy of the annual audit report for such year for the Company and its Subsidiaries, including therein Consolidated balance sheets of the Company and its Subsidiaries as of the end of such Fiscal Year and Consolidated statements of income and a Consolidated statement of cash flows of the Company and its Subsidiaries for such Fiscal Year, setting forth, in each case, in comparative form the figures for the previous Fiscal Year, in each case accompanied by (i) an opinion of PricewaterhouseCoopers LLP or other independent public accountants of recognized national standing (without a “going concern” or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Company and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied; *provided* that in the event of any change in generally accepted accounting principles used in the preparation of such financial statements, the Company shall also provide, if necessary for the determination of compliance with Section 10(i), a statement of reconciliation conforming such financial statements to GAAP and (ii) a certificate of a Senior Financial Officer of the Company stating that no Default or Event of Default has occurred and is continuing or, if a Default or Event of Default has occurred and is continuing, a statement as

to the nature thereof and the action that the Company has taken and proposes to take with respect thereto and (iii) a schedule, delivered and signed by such officer, of the computations used in determining, as of the end of such Fiscal Year, compliance with the covenants contained in Section 10(i);

(c) *Securities Reports*. Promptly after the sending or filing thereof, copies of all regular, periodic and special reports, and all registration statements, that the Company or any of its Subsidiaries files with the SEC or any governmental authority that may be substituted therefor, or with any national securities exchange;

(d) *Notice of Default or Event of Default*. As soon as possible and in any event within five days after the Company first obtains knowledge of the occurrence of any Default or Event of Default, or any event, development or occurrence that could be reasonably expected to have a Material Adverse Effect, continuing on the date of such statement, a statement of an executive officer of the Company setting forth details of such Default or Event of Default, or event, development or occurrence and the action that the Company has taken and proposes to take with respect thereto;

(e) *ERISA Matters*. Promptly, and in any event within five days after a Responsible Officer becomes aware of any of the events described in Sections 11(j) and 11(k), a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto;

(f) *Notices from Governmental Authority*. Promptly after the commencement thereof, notice of all actions, suits, investigations, litigation and proceedings before any Governmental Authority affecting the Company or any of its Subsidiaries of the type described in Section 5.8; and

(g) *Requested Information*. Such other information respecting the business, financial condition, operations, or assets of the Company or any of its Subsidiaries as from time to time may be reasonably requested by any such holder of Notes.

Section 7.2. Officer's Certificate.

Each set of financial statements delivered to a holder of Notes pursuant to Section 7.1(a) or Section 7.1(b) shall be accompanied by the certificates of, and schedule signed by, a Senior Financial Officer referred to in Section 7.1(a) or Section 7.1(b), as the case may be.

Section 7.3. Visitation.

The Company shall permit the representatives of each holder of Notes that is an Institutional Investor:

(a) *No Default*. If no Default or Event of Default then exists, at the expense of such holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Subsidiaries with the Company's officers, and (with the consent of the Company, which consent will not be unreasonably withheld) its independent public accountants, and (with the consent of the Company,

which consent will not be unreasonably withheld) to visit the other offices and properties of the Company or any of its Subsidiaries, all at such reasonable times and as often as may be reasonably requested in writing; and

(b) *Default*. If a Default or Event of Default then exists, at the expense of the Company, to visit and inspect any of the offices or properties of the Company or any of its Subsidiaries, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants and the Company shall be provided an opportunity to participate in such discussions with such accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries), all at such times and as often as may be requested.

Section 8. PAYMENT AND PREPAYMENT OF THE NOTES.

Section 8.1. Maturity.

As provided therein, the entire unpaid principal balance of the Notes shall be due and payable on the Stated Maturity Dates thereof.

Section 8.2. Optional Prepayments with Make-Whole Amount.

The Company may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, the Notes, in an amount not less than $10,000,000 of the aggregate principal amount of the Notes then outstanding in the case of a partial prepayment, at 100% of the principal amount so prepaid, and the Make-Whole Amount determined for the prepayment date with respect to such principal amount. The Company will give each holder of Notes written notice of each optional prepayment under this Section 8.2 not less than 30 days and not more than 60 days prior to the date fixed for such prepayment. Each such notice shall specify such date (which shall be a Business Day), the aggregate principal amount of the Notes to be prepaid on such date, the principal amount of each Note held by such holder to be prepaid (determined in accordance with Section 8.5), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid, and shall be accompanied by a certificate of a Senior Financial Officer as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two Business Days prior to such prepayment, the Company shall deliver to each holder of Notes a certificate of a Senior Financial Officer specifying the calculation of such Make-Whole Amount as of the specified prepayment date.

Section 8.3. Offer of Prepayment Upon Asset Sales.

(a) *Notice of Certain Dispositions*. The Company will, on or prior to five Business Days after the end of any consecutive 12-month period during which the Company or any of its Subsidiaries makes one or more Asset Sales pursuant to which the Company or any of its Subsidiaries receives Net Cash Proceeds in excess of 10% of Consolidated Net Tangible Assets (determined as of the end of the fiscal quarter of the Company immediately prior to the commencement of such 12-month period (and without deduction for such Asset Sales)), give written notice of such Asset Sales to each holder of Notes which notice shall contain and constitute

an offer to prepay the Notes as described in paragraph (b) of this Section 8.3 and shall be accompanied by the certificate described in paragraph (e) of this Section 8.3.

(b) *Offer to Prepay Notes*. The offer to prepay the Notes contemplated by paragraph (a) of this Section 8.3 shall be an offer to prepay, in accordance with and subject to this Section 8.3, the Notes held by each holder on a date specified in such offer (the "Proposed Asset Sale Prepayment Date"). The Proposed Asset Sale Prepayment Date shall be not less than 30 days and not more than 60 days after the date of such offer (if the Proposed Asset Sale Prepayment Date shall not be specified in such offer, the Proposed Asset Sale Prepayment Date shall be the 60th day after the date of such offer).

(c) *Acceptance; Rejection*. A holder of Notes may accept the offer to prepay made pursuant to this Section 8.3 by causing a notice of such acceptance to be delivered to the Company at least five days prior to the Proposed Asset Sale Prepayment Date. A failure by a holder of Notes to reply to an offer to prepay made pursuant to this Section 8.3 shall be deemed to constitute a rejection of such offer by such holder.

(d) *Prepayment*. The principal amount of the Notes to be prepaid pursuant to this Section 8.3 shall be equal to the amount, if any, by which the aggregate of all Net Cash Proceeds from all of the Asset Sales referred to in Section 8.3(a) exceeds 10% of Consolidated Net Tangible Assets (determined as of the end of the fiscal quarter of the Company immediately preceding the date of such Asset Sale and without deduction for such Asset Sales) (such Net Cash Proceeds being referred to herein as the "Excess Cash Proceeds") together with interest on such Notes accrued to the date of prepayment, but without any premium; *provided* that in connection with any Asset Sale that triggers a prepayment of the Term Advances under the New Credit Facility, the Excess Cash Proceeds shall be applied ratably to the Term Advances under the New Credit Facility and an offer to purchase the Notes pursuant to this Section 8.3 on the basis of their outstanding aggregate principal amounts. The prepayment of the Notes shall be made on the Proposed Asset Sale Prepayment Date; *provided further* that if any of the Excess Cash Proceeds that are applicable to the prepayment of the Notes are not so applied due to any rejections of such prepayment pursuant to Section 8.3(c), such Excess Cash Proceeds shall be applied to the term loans under the New Credit Facility.

(e) *Officer's Certificate*. Each offer to prepay the Notes pursuant to this Section 8.3 shall be accompanied by a certificate, executed by a Senior Financial Officer and dated the date of such offer, specifying: (i) the Proposed Asset Sale Prepayment Date; (ii) that such offer is made pursuant to this Section 8.3; (iii) the principal amount of each Note offered to be prepaid; (iv) the interest that would be due on each Note offered to be prepaid, accrued to the Proposed Asset Sale Prepayment Date; (v) that the conditions of this Section 8.3 have been fulfilled; and (vi) in reasonable detail, the nature of the Asset Sales with respect to which such prepayment is being made.

(f) *Deferral of Offer to Prepay*. Notwithstanding the foregoing provisions of Section 8.3, with respect to any Net Cash Proceeds realized or received with respect to any Asset Sale referred to in Section 8.3(a), if the Company shall deliver to the holders of Notes a certificate of a Senior Financial Officer to the effect that the Company and its Subsidiaries intend to reinvest such Net Cash Proceeds (or a portion thereof specified in such certificate) in its business (or enter

into a binding commitment with respect to such reinvestment) within 365 days after receipt of such Net Cash Proceeds, then no prepayment need be offered by the Company pursuant to the foregoing provisions of this Section 8.3 in respect of such Net Cash Proceeds (or the portion of such Net Cash Proceeds specified in such certificate, if applicable), except that, if (x) any such Net Cash Proceeds have not been so applied by the end of such 365-day period or (y) the Company or any of its Subsidiaries have not entered into a binding commitment with respect to such application of such Net Cash Proceeds within such 365-day period and not reinvested in its business pursuant to such commitment within 180 days after entering into such commitment, the Company shall offer to prepay the Notes at that time in accordance with the foregoing provisions of this Section 8.3 in an amount equal to the amount of such Net Cash Proceeds that have not been so applied pro rata with the prepayment of the Term Advances under the New Credit Facility (if a prepayment is triggered under the New Credit Facility under such circumstances).

Section 8.4. Change of Control Put.

(a) *Notice of Change of Control or Control Event*. The Company will, within three Business Days after any officer of the Company or its Subsidiaries has knowledge of the occurrence of any Change of Control or Control Event, give written notice of such Change of Control or Control Event to each holder of Notes unless notice in respect of such Change of Control (or the Change of Control contemplated by such Control Event) shall have been given pursuant to paragraph (b) of this Section 8.4. If a Change of Control has occurred, such notice shall contain and constitute an offer to prepay Notes as described in paragraph (c) of this Section 8.4 and shall be accompanied by the certificate described in paragraph (g) of this Section 8.4.

(b) *Condition to Company Action*. The Company will not take any action that consummates or finalizes a Change of Control unless at least 30 days prior to such action it shall have given to each holder of Notes written notice containing and constituting an offer to prepay Notes as described in paragraph (c) of this Section 8.4 (the "Company Offer Notice"), accompanied by the certificate described in paragraph (g) of this Section 8.4 of the consummation or finalization of such Change of Control.

(c) *Offer to Prepay Notes*. The offer to prepay Notes contemplated by paragraphs (a) and (b) of this Section 8.4 shall be an offer to prepay, in accordance with and subject to this Section 8.4, all, but not less than all, the Notes held by each holder on a date specified in such offer (the "Proposed Change of Control Prepayment Date"). The Proposed Change of Control Prepayment Date shall be not less than 30 days after the date of such offer (if the Proposed Change of Control Prepayment Date shall not be specified in such offer, the Proposed Change of Control Prepayment Date shall be the 30th day after the date of such offer).

(d) *Acceptance; Rejection*. A holder of Notes may accept the offer to prepay made pursuant to this Section 8.4 by causing a notice of such acceptance to be delivered to the Company not later than the twentieth day following delivery of the Company Offer Notice. A failure by a holder of Notes to reply to an offer by such date to prepay made pursuant to this Section 8.4 shall be deemed to constitute a rejection of such offer by such holder.

(e) *Prepayment*. Prepayment of the Notes to be prepaid pursuant to this Section 8.4 shall be at 100% of the principal amount of such Notes together with interest on such Notes accrued to the date of prepayment but without any premium. The prepayment shall be made on the Proposed Change of Control Prepayment Date except as provided in paragraph (f) of this Section 8.4.

(f) *Deferral pending Change of Control*. The obligation of the Company to prepay Notes pursuant to the offers required by paragraph (b) and accepted in accordance with paragraph (d) of this Section 8.4 is subject to the occurrence of the Change of Control in respect of which such offers and acceptances shall have been made. In the event that such Change of Control does not occur on the Proposed Change of Control Prepayment Date in respect thereof, the prepayment shall be deferred until and shall be made on the date on which such Change of Control occurs. The Company shall keep each holder of Notes reasonably and timely informed of (i) any such deferral of the date of prepayment, (ii) the date on which such Change of Control and prepayment are expected to occur, and (iii) any determination by the Company that efforts to effect such Change of Control have ceased or been abandoned (in which case the offers and acceptances made pursuant to this Section 8.4 in respect of such Change of Control shall be deemed rescinded).

(g) *Officer's Certificate*. Each offer to prepay the Notes pursuant to this Section 8.4 shall be accompanied by a certificate, executed by a Senior Financial Officer of the Company and dated the date of such offer, specifying: (i) the Proposed Change of Control Prepayment Date; (ii) that such offer is made pursuant to this Section 8.4; (iii) the interest that would be due on each Note offered to be prepaid, accrued to the Proposed Change of Control Prepayment Date; and (iv) in reasonable detail, the nature and date or proposed date of the Change of Control.

Section 8.5. Allocation of Partial Prepayments.

In the case of each partial prepayment of the Notes, the principal amount of the Notes to be prepaid shall be allocated among all of the Notes at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment.

Section 8.6. Maturity; Surrender, Etc.

In the case of each prepayment of Notes pursuant to this Section 8, the principal amount of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment (which shall be a Business Day), together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount, if any. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest and Make-Whole Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Company and cancelled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

Section 8.7. Purchase of Notes.

The Company will not and will not permit any of its Subsidiaries to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding Notes except upon the payment or prepayment of the Notes in accordance with the terms of this Agreement and the Notes. The Company will promptly cancel all Notes acquired by it or any of its Subsidiaries pursuant to any payment or prepayment of Notes pursuant to any provision of this Agreement and no Notes may be issued in substitution or exchange for any such Notes.

Section 8.8. Make-Whole Amount.

"**Make-Whole Amount**" means, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Note over the amount of such Called Principal, provided that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make Whole Amount, the following terms have the following meanings:

"**Called Principal**" means, with respect to any Note, the principal of such Note that is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

"**Discounted Value**" means, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Notes is payable) equal to the Reinvestment Yield with respect to such Called Principal.

"**Reinvestment Yield**" means, with respect to the Called Principal of any Note, 0.50% over the yield to maturity implied by (i) the yields reported as of 10:00 a.m. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page PX1" (or such other display as may replace Page PX1 on Bloomberg or, if Page PX1 (or its successor screen on Bloomberg) is unavailable, the Telerate Access Service screen which corresponds most closely to Page PX1 for the most recently issued actively traded U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or (ii) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable (including by way of interpolation), the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. Such implied yield will be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the actively traded U.S. Treasury security with the maturity closest to and greater than such Remaining Average Life and (2) the actively traded U.S. Treasury security with the maturity closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable Note.

"**Remaining Average Life**" means, with respect to any Called Principal, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

"**Remaining Scheduled Payments**" means, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date, provided that if such Settlement Date is not a date on which interest payments are due to be made under the terms of the Notes, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to Section 8.2 or Section 12.1.

"**Settlement Date**" means, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

Section 9. AFFIRMATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding, it shall:

(a) *Compliance with Laws, Etc.* Comply, and cause each of its Subsidiaries to comply, with all applicable laws, rules, regulations and orders (including, without limitation, the USA Patriot Act) of any Governmental Authority binding on it or any of its properties, except for such non-compliance as would not be reasonably expected to have a Material Adverse Effect.

(b) *Payment of Taxes, Etc.* Pay and discharge, and cause each of its Subsidiaries to pay and discharge, before the same shall become delinquent, (i) all material taxes, assessments and governmental charges or levies imposed upon it or upon its property and (ii) all material lawful claims that, if unpaid, might by law become a Lien upon its property; *provided, however*, that neither the Company nor any of its Subsidiaries shall be required to pay or discharge any such tax, assessment, charge or claim that is being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained, unless and until any Lien resulting therefrom attaches to its property and becomes enforceable.

(c) *Maintenance of Insurance.* Maintain, and cause each of its Subsidiaries to maintain insurance with responsible and reputable insurance companies or associations and such insurance shall be maintained in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Company or any of its Subsidiaries operates.

(d) *Preservation of Corporate Existence, Etc.* Except as expressly permitted by Section 10(d), preserve and maintain, and cause each of its Subsidiaries to preserve and maintain, its legal existence, and, except as would not be reasonably expected to have a Material Adverse Effect, its permits, licenses, approvals, privileges and franchises necessary to the normal conduct of its business.

(e) *Keeping of Books.* Keep, and cause each of its Subsidiaries to keep, proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Company and each Subsidiary of the Company to the extent necessary to prepare financial statements that are in accordance with GAAP in effect from time to time.

(f) *Maintenance of Properties, Etc.* Maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, all of its Properties that are used or useful in the conduct of its business in accordance with the Company's or its Subsidiaries' established maintenance plan as in effect from time to time consistent with past practices.

(g) *Transactions with Affiliates*. Conduct, and cause each of its Subsidiaries to conduct, all transactions otherwise permitted under the Loan Documents with any of their Affiliates on terms that are no less favorable to the Company or such Subsidiary than it would obtain in a comparable arm's-length transaction with a Person not an Affiliate (including, pursuant to the agreement set forth in item 1 on Schedule 9(g) for so long as such agreement is in effect), except transactions pursuant to the agreement set forth in item 2 on Schedule 9(g).

(h) *Continuance of Rating*. The Company, at least once annually, shall request at least one Required Rating Agency (as of the date of the First Closing, S&P) to update the credit rating issued on the long-term debt of the Company and shall furnish to such Required Rating Agency the information referred to in Section 7.1, together with such other information as such Required Rating Agency may reasonably request in connection with its rating of the long-term debt of the Company.

(i) *Covenant Regarding Subsidiaries.* Upon the formation or acquisition by the Company or any of its Subsidiaries of any new direct or indirect Subsidiary that is organized under the laws of any political subdivision of the United States of America, within ten (10) days after such formation or acquisition, at the Company's election, either (i) at the Company's expense, cause such Subsidiary, and cause each direct and indirect parent of such Subsidiary (if it has not already done so), to duly execute and deliver to each holder of Notes a Subsidiary Guaranty, guaranteeing the obligations of the Company and the other Subsidiary Guarantors under the Loan Documents and to provide an opinion of outside counsel of nationally recognized standing to the effect that each Subsidiary Guaranty is a legal, valid and binding obligation of such Subsidiary Guarantor, enforceable against such Subsidiary Guarantor in accordance with its terms, or (ii) notify each holder of Notes that such Subsidiary shall not be a Subsidiary Guarantor hereunder (each such Subsidiary, a "Non-Guarantor Subsidiary") and shall cause such Subsidiary to be in compliance with Section 10(a) and Section 10(b) to the extent applicable to a Non-Guarantor Subsidiary in addition to any other provisions of the Loan Documents applicable to any Subsidiary of the Company.

Section 10. NEGATIVE COVENANTS.

The Company covenants that, so long as any of the Notes are outstanding, it will not and will cause its Subsidiaries not to, at any time:

(a) *Liens, Etc*. Create, incur, assume or suffer to exist any Lien on or with respect to any of its Properties of any character (including, without limitation, accounts) whether now owned or hereafter acquired, or sign or file, under the Uniform Commercial Code of any jurisdiction, a financing statement that names the Company or any of its Subsidiaries as debtor, or sign or suffer to exist any security agreement authorizing any secured party thereunder to file such financing statement, or assign any accounts or other right to receive income, except:

(i) Permitted Liens for the Company and its Subsidiaries;

(ii) Liens existing on the date hereof and described on Schedule 5.15 hereto and any replacement, extension or renewal of the indebtedness secured by such Lien; *provided* that the amount of Debt or other obligations secured thereby is not increased and is not secured by any additional assets;

(iii) Liens arising in connection with Capitalized Leases; *provided* that no such Lien shall extend to or cover any assets other than the assets subject to such Capitalized Leases and purchase money Liens upon or in real property, equipment or other fixed or capital assets acquired or held by the Company or any of its Subsidiaries to secure the purchase price of such property, equipment or other fixed or capital assets or to secure Debt incurred for the purpose of financing the acquisition, construction or improvement of any such property, equipment or other fixed or capital assets, or Liens existing on any such property, equipment or other fixed or capital assets at the time of acquisition, or extensions, renewals or replacements of any of the foregoing for the same or a lesser amount; *provided* that no such Lien shall extend to or cover any property other than the property, equipment or other fixed or capital assets being acquired, constructed or improved, and no such extension, renewal or replacement shall extend to or cover any property not theretofore subject to the Lien being extended, renewed or replaced; and *provided*, that the aggregate principal amount of the Debt secured by Liens permitted by this clause (iii) shall not exceed $50,000,000 at any time outstanding; and

(iv) the Company or any of its Subsidiaries may create or assume any other Lien securing Debt if, after giving effect to such Debt, the Priority Obligations Amount does not exceed 10% of the Consolidated Net Tangible Assets; *provided, however,* that if the Company or any of the Subsidiaries cannot or does not wish to comply with the restrictions set forth in this Section 10(a)(iv), then, as conditions to such non-compliance, (x) (A) a Senior Financial Officer shall provide a certificate to all holders of Notes describing in reasonable detail such non-compliance and the Debt to be secured by such Lien (including details of such Lien) and (B) the Company and/or such Subsidiary shall make, or cause to be made, effective a provision whereby the Notes will be equally and ratably secured with the Debt with respect to which there is non-compliance with the limitation on Liens set forth in this Section 10(a)(iv), such security to be pursuant to an agreement reasonably satisfactory to the Required Holders and, in any such case, the

holders of Notes shall have the benefit, to the fullest extent that, and with such priority as, the holders of the Notes may be entitled under applicable law, of an equitable Lien on such property and (y) the holders of the Notes shall have received a favorable opinion of counsel reasonably satisfactory to the Required Holders with respect thereto.

(b) *Debt of Non-Guarantor Subsidiaries*. In the case of any Non-Guarantor Subsidiary, create, incur, assume or suffer to exist any Debt, unless if after giving effect to such Debt, the Priority Obligations Amount does not exceed 10% of the Consolidated Net Tangible Assets.

(c) *Change in Nature of Business.* Make any material change in the nature of the Company's business as carried on at the date hereof.

(d) *Mergers, Etc.* Merge into or consolidate with any Person or permit any Person to merge into it, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or permit any of its Subsidiaries to do so, except that:

(i) any Subsidiary of the Company may merge into or consolidate with the Company; *provided* that the Company is the continuing or surviving Person;

(ii) any Subsidiary of the Company may merge into or consolidate with any other Subsidiary of the Company; *provided* that, in the case of any such merger or consolidation to which a Guarantor is a party, the Person formed by such merger or consolidation shall be a Guarantor;

(iii) any Subsidiary of the Company may be liquidated or dissolved if the Company determines in good faith that such liquidation or dissolution is in the best interest of the Company and is not materially disadvantageous to the holders of the Notes; and

(iv) any Subsidiary of the Company may merge into or consolidate with any other Person or permit any other Person to merge into or consolidate with it; *provided* that the Person surviving such merger shall be a Subsidiary of the Company;

provided, *however*, that in each case, immediately before and after giving effect thereto, no Default or Event of Default shall have occurred and be continuing.

(e) *Sales, Etc., of Assets.* Dispose of, in one transaction or in a series of transactions, all or substantially all of its assets during any Fiscal Year, except:

(i) in a transaction authorized by Section 10(d); and

(ii) Dispositions of assets among the Company and its Subsidiaries.

(f) *Restricted Payments.* Declare or pay any dividends, purchase, redeem, retire, defease or otherwise acquire for value any of its Equity Interests now or hereafter outstanding, return any capital to its stockholders, partners or members (or the equivalent Persons thereof) as such, make any distribution of assets, Equity Interests, obligations or securities to its

stockholders, partners or members (or the equivalent Persons thereof) as such or make any payment on any Debt owing to its direct or indirect parent (or any equity owner thereof) or any Affiliate thereof (other than payments on the Notes and indebtedness under the New Credit Facility) (any of the foregoing, a "Restricted Payment"), or permit any of its Subsidiaries to do any of the foregoing, or permit any of its Subsidiaries to purchase, redeem, retire, defease or otherwise acquire for value any Equity Interests in the Company or to issue or sell any Equity Interests therein, except that, (i) any Subsidiaries may make Restricted Payments to the Company and (ii) so long as no Default or Event of Default has occurred and is continuing and the Company is in pro forma compliance with Section 10(i) after giving effect to such Restricted Payments, the Company may make distributions to Holdco.

(g) *Sales and Leasebacks.* Enter into any arrangement with any Person (other than Subsidiaries of the Company) providing for the leasing by the Company or any Subsidiary of real or personal property that has been or is to be sold or transferred by the Company or such Subsidiary to such Person or to any other Person to whom funds have been or are to be advanced by such Person on the security of such property or rental obligations of the Company or such Subsidiary (each a "Sale Leaseback Transaction"), unless if after giving effect to such Sale Leaseback Transaction, the Priority Obligations Amount does not exceed 10% of the Consolidated Net Tangible Assets.

(h) *Use of Proceeds.* Use the proceeds of any Notes for any purpose other than for purposes set forth in Section 5.14.

(i) *Debt/Capitalization Ratio.* Permit the Debt/Capitalization Ratio as of the last day of any fiscal quarter of the Company to be greater than 65%.

Section 11. EVENTS OF DEFAULT.

An "Event of Default" shall exist if any of the following conditions or events shall occur and be continuing:

(a) the Company defaults in the payment of any principal or Make-Whole Amount, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) the Company defaults in the payment of any interest on any Note for more than five Business Days after the same becomes due and payable; or

(c) any representation or warranty made by the Company or its Subsidiaries (or any of its officers or Responsible Officers) under or in connection with any Loan Document shall prove to have been incorrect in any material respect when made; or

(d) the Company shall fail to perform or observe any term, covenant or agreement contained in Section 7.1(d), Section 9(d) and Section 10; or

(e) the Company or its Subsidiaries shall fail to perform or observe any other term, covenant or agreement contained in any Loan Document on its part to be performed or observed if such failure shall remain unremedied for 30 days after the earlier of (i) a Responsible

Officer obtaining actual knowledge of such default and (ii) the Company receiving written notice of such default from any holder of a Note (any such written notice to be identified as a "notice of default" and to refer specifically to this Section 11(e)); or

(f) the Company or any of its Subsidiaries shall fail to pay any principal of, premium or interest on or any other amount payable in respect of any Debt (other than Debt of the type described in (i) clause (g) of the definition thereof or (ii) clause (h) of the definition thereof to the extent no demand for payment has been made on the Company or any of its Subsidiaries with respect to such Contingent Obligations) or any Hedge Agreements of the Company or such Subsidiary (as the case may be) that is outstanding in a principal amount (or, in the case of any Hedge Agreement, an Agreement Value) of at least $50,000,000 either individually or in the aggregate for the Company and all such Subsidiaries (but excluding Debt outstanding under the Notes), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise but other than as a result of the consequences, if any, of a Change of Control under the New Credit Facility), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Debt or otherwise to cause, or to permit the holder thereof to cause, such Debt to mature (other than, in each case, as a result of the consequences, if any, of a Change of Control under the New Credit Facility); or any such Debt shall be declared to be due and payable or required to be prepaid or redeemed (other than a required prepayment or redemption under Section 2.06 of the New Credit Facility or under any "due on sale" provision of any secured Debt, except as a result of a default or event of default thereunder), purchased or defeased, or an offer to prepay, redeem, purchase or defease such Debt (unless required under Section 2.06 of the New Credit Facility or under any "due on sale" provision of any secured Debt, except as a result of a default or event of default thereunder) shall be required to be made, in each case prior to the stated maturity thereof (other than, in each case, as a result of the consequences, if any, of a Change of Control under the New Credit Facility); or

(g) (i) CCE Holdings, CrossCountry, Holdco, the Company or any Subsidiary of the Company shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or (ii) any proceeding shall be instituted by or against CCE Holdings, CrossCountry, Holdco, the Company or any Subsidiary of the Company seeking to adjudicate it as bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it) that is being diligently contested by it in good faith, either such proceeding shall remain undismissed or unstayed for a period of 60 days or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or any substantial part of its property) shall occur; or (iii) CCE Holdings, CrossCountry, Holdco, the Company or any Subsidiary of the Company shall take any corporate action to authorize any of the actions set forth above in this paragraph (g); or

(h) any judgments or orders, either individually or in the aggregate, for the payment of money in excess of $50,000,000 shall be rendered against the Company or any of its Subsidiaries and there shall be any period of 60 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; *provided, however*, that any such judgment or order shall not give rise to an Event of Default under this paragraph (h) if and for so long as (i) the amount of such judgment or order is covered by a valid and binding surety bond or policy of insurance between the defendant and the insurer and (ii) such insurer has been notified, and has not disputed the claim made for payment, of the amount of such judgment or order; or

(i) any Loan Document shall for any reason cease to be valid and binding on or enforceable against any party thereto, or any such party shall so state in writing; or

(j) any ERISA Event shall have occurred with respect to a Plan and the sum (determined as of the date of occurrence of such ERISA Event) of the Insufficiency of such Plan and the Insufficiency of any and all other Plans with respect to which an ERISA Event shall have occurred and then exist (or the liability of the Company or its Subsidiaries and the ERISA Affiliates related to such ERISA Event) could reasonably be expected to have a Material Adverse Effect and (i) demand by the PBGC is made against the Company or any of its Subsidiaries for the payment of such Insufficiency, and such Insufficiency is not satisfied within 60 days of such demand or, if earlier, the date stated in the demand or (ii) a lien is imposed on the Company or any of its Subsidiaries in connection with the failure to pay such Insufficiency, and such Insufficiency is not satisfied within 60 days; or

(k) the Company or any of its Subsidiaries or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, and as a result of such reorganization or termination the aggregate annual contributions of the Company and its Subsidiaries and the ERISA Affiliates to all Multiemployer Plans that are then in reorganization or being terminated have been or will be increased over the amounts contributed to such Multiemployer Plans for the plan years of such Multiemployer Plans immediately preceding the plan year in which such reorganization or termination occurs by an amount, which could reasonably be expected to have a Material Adverse Effect.

Section 12. REMEDIES ON DEFAULT, ETC.

Section 12.1. Acceleration.

(a) If an Event of Default with respect to the Company described in Section 11(g)(i) or Section 11(g)(ii) has occurred and is continuing, all the Notes then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, Required Holders may at any time at its or their option, by notice or notices to the Company, declare all the Notes then outstanding to be immediately due and payable.

(c) If any Event of Default described in Section 11(a) or Section 11(b) has occurred and is continuing, any holder or holders of Notes at the time outstanding affected by such Event of Default may at any time, at its or their option, by notice or notices to the Company, declare all the Notes held by it or them to be immediately due and payable.

Upon any Notes becoming due and payable under this Section 12.1, whether automatically or by declaration, such Notes will forthwith mature and the entire unpaid principal amount of such Notes, plus (i) all accrued and unpaid interest thereon (including, but not limited to, interest accrued thereon at the Default Rate) and (ii) the Make-Whole Amount determined in respect of such principal amount (to the full extent permitted by applicable Law), shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Company acknowledges, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by the Company (except as herein specifically provided for) and that the provision for payment of a Make-Whole Amount by the Company in the event that the Notes are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

Section 12.2. Other Remedies.

If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under Section 12.1, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by Law or otherwise.

Section 12.3. Rescission.

At any time after any Notes have been declared due and payable pursuant to Section 12.1(b) or Section 12.1(c), Required Holders, by written notice to the Company, may rescind and annul any such declaration and its consequences if (a) the Company has paid all overdue interest on the Notes, all principal of and Make-Whole Amount, if any, on any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and Make-Whole Amount, if any, and (to the extent permitted by applicable Law) any overdue interest in respect of the Notes, at the Default Rate, (b) neither the Company nor any other Person shall have paid any amounts which have become due solely by reason of such declaration, (c) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to Section 17, and (d) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

Section 12.4. No Waivers or Election of Remedies, Expenses, Etc.

No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder’s rights, powers or remedies. No right, power or remedy conferred by this Agreement or by any

Note upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of the Company under Section 15, the Company will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this Section 12, including, without limitation, reasonable attorneys' fees, expenses and disbursements.

Section 13. REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.

Section 13.1. Registration of Notes.

The Company shall keep at its principal executive office a register for the registration of transfers of Notes. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. Prior to due presentment for registration of transfer, the Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary. The Company shall give to any holder of a Note that is an Institutional Investor promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes.

Section 13.2. Transfer and Exchange of Notes.

Upon surrender of any Note to the Company at the address and to the attention of the designated officer (all as specified in Section 18(iii)), for registration of transfer or exchange (and in the case of a surrender for registration of transfer accompanied by a written instrument of transfer duly executed by the registered holder of such Note or such holder's attorney duly authorized in writing and accompanied by the relevant name, address and other information for notices of each transferee of such Note or part thereof), within ten Business Days thereafter, the Company shall execute and deliver, at the Company's expense (except as provided below), one or more new Notes (as requested by the holder thereof) in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such holder may request and shall be substantially in the form of the Note of such series originally issued hereunder. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than $100,000, *provided*, that if necessary to enable the registration of transfer by a holder of its entire holding of Notes, one Note may be in a denomination of less than $100,000, *provided*, *further*, that no holder shall transfer (other than to a Subsidiary or other Affiliate of such holder) Notes if such transfer causes such holder, its Subsidiaries and other Affiliates of such holder, taken as a whole, to own less than $1,000,000 in aggregate principal amount of Notes (unless such transfer causes such holder, its Subsidiaries and other Affiliates of such holder, taken as a whole, to Dispose of all the Notes owned by any of them).

Section 13.3. Replacement of Notes.

Upon receipt by the Company at the address and to the attention of the designated officer (all as specified in Section 18(iii)) of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (provided that if the holder of such Note is, or is a nominee for, an original Purchaser or another holder of a Note with a minimum net worth of at least $50,000,000 or a Qualified Institutional Buyer, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof,

within ten Business Days thereafter, the Company at its own expense shall execute and deliver, in lieu thereof, a new Note, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

SECTION 14. PAYMENTS ON NOTES.

Section 14.1. Place of Payment.

Subject to Section 14.2, payments of principal, Make-Whole Amount, if any, and interest becoming due and payable on the Notes shall be at such place the Company may at any time, by notice specify to each holder of a Note, so long as such place of payment shall be either the principal office of the Company in New York, New York or the principal office of a bank or trust company in New York, New York.

Section 14.2. Home Office Payment.

So long as any Purchaser or its nominee shall be the holder of any Note, and notwithstanding anything contained in Section 14.1 or in such Note to the contrary, the Company will pay all sums becoming due on such Note for principal, Make-Whole Amount, if any, and interest by the method and at the address specified for such purpose below such Purchaser's name in Schedule A, or by such other method or at such other address as such Purchaser shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any Note, such Purchaser shall surrender such Note for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to Section 14.1. Prior to any sale or other disposition of any Note held by a Purchaser or its nominee, such Purchaser will, at its election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Note to the Company in exchange for a new Note or Notes pursuant to Section 13.2. The Company will afford the benefits of this Section 14.2 to any Institutional Investor that is the direct or indirect transferee of any Note purchased by a Purchaser under this Agreement and that has made the same agreement relating to such Note as the Purchasers have made in this Section 14.2.

Section 15. EXPENSES, ETC.

Section 15.1. Transaction Expenses.

Whether or not the transactions contemplated hereby are consummated, the Company will pay all costs and expenses (including reasonable attorneys' fees of a special counsel and if reasonably required by the Required Holders, local or other counsel) incurred by the Purchasers and each other holder of a Note in connection with such transactions (including reasonable fees, charges and disbursements of the Purchasers' special counsel incurred on and after the date of such Closing with respect to preparation and delivery of closing document sets and binders for the transactions contemplated hereby to the holders of Notes and other Persons) and in connection with any amendments, waivers or consents under or in respect of this Agreement or the Notes (whether or not such amendment, waiver or consent becomes effective), including, without limitation: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement or the Notes or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement or the Notes, or by reason of being a holder of any Note, and (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any of its Subsidiaries or in connection with any work-out or restructuring of the transactions contemplated hereby and by the Notes. The Company will pay, and will save each Purchaser and each other holder of a Note harmless from, all claims in respect of any fees, costs or expenses, if any, of brokers and finders (other than those, if any, retained by a Purchaser or other holder in connection with its purchase of the Notes).

Section 15.2. Survival.

The obligations of the Company under this Section 15 will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of either this Agreement or the Notes, and the termination of this Agreement.

Section 16. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein shall survive the execution and delivery of this Agreement and the Notes, the purchase or transfer by any Purchaser of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent holder of a Note, regardless of any investigation made at any time by or on behalf of such Purchaser or any other holder of a Note. All statements contained in any certificate or other instrument delivered by or on behalf of the Company pursuant to this Agreement shall be deemed representations and warranties of the Company under this Agreement. Subject to the preceding sentence, this Agreement and the Notes embody the entire agreement and understanding between each Purchaser and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

Section 17. AMENDMENT AND WAIVER.

Section 17.1. Requirements.

This Agreement and the Notes may be amended, and the observance of any term hereof or thereof may be waived (either retroactively or prospectively), with (and only with) the written consent of the Company and the Required Holders, except that (a) no amendment or waiver of any of the provisions of Section 1, 2, 3, 4, 5, 6 or 21 hereof, or any defined term (as it is used therein), will be effective as to any holder of Notes unless consented to by such holder of Notes in writing, and (b) no such amendment or waiver may, without the written consent of the holder of each Note at the time outstanding affected thereby, (i) subject to the provisions of Section 12 relating to acceleration or rescission, change the amount or time of any prepayment or payment of principal of, or reduce the rate or change the time of payment or method of computation of interest or of the Make-Whole Amount on, the Notes, (ii) change the percentage of the principal amount of the Notes the holders of which are required to consent to any such amendment or waiver, or (iii) amend any of Sections 8, 11(a), 11(b), 12, 17 or 20.

Section 17.2. Solicitation of Holders of Notes.

(a) *Solicitation*. The Company will provide each holder of the Notes (irrespective of the amount of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent by the Company in respect of any of the provisions hereof or of the Notes. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this Section 17 to each holder of outstanding Notes promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Notes.

(b) *Payment*. The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security or provide other credit support, to any holder of Notes as consideration for or as an inducement to the entering into by any holder of Notes of any waiver or amendment of any of the terms and provisions hereof unless such remuneration is concurrently paid, or security is concurrently granted or other credit support concurrently provided, on the same terms, ratably to each holder of Notes then outstanding so long as such holder consents to such waiver or amendment.

(c) *Consent in Contemplation of Transfer*. Any consent made pursuant to this Section 17 by a holder of Notes that has transferred or has agreed to transfer its Notes to the Company or any Restricted Person and has provided or has agreed to provide such written consent as a condition to such transfer shall be void and of no force or effect except solely as to such holder, and any amendments effected or waivers granted or to be effected or granted that would not have been or would not be so effected or granted but for such consent (and the consents of all other holders of Notes that were acquired under the same or similar conditions) shall be void and of no force or effect except solely as to such holder.

Section 17.3. Binding Effect, Etc.

Any amendment or waiver consented to as provided in this Section 17 applies equally to all holders of Notes and is binding upon them and upon each future holder of any Note and upon the Company without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and the holder of any Note nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any holder of such Note. As used herein, the term "this Agreement" and references thereto shall mean this Agreement as it may from time to time be amended or supplemented.

Section 17.4. Notes Held by Company, Etc.

Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement or the Notes, or have directed the taking of any action provided herein or in the Notes to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by the Company or any Restricted Persons shall be deemed not to be outstanding.

Section 18. NOTICES.

All notices and communications provided for hereunder shall be in writing and sent (a) by telecopy if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(i) if to any Purchaser or its nominee, to such Purchaser or nominee at the address specified for such communications in Schedule A, or at such other address as such Purchaser or nominee shall have specified to the Company in writing,

(ii) if to any other holder of any Note, to such holder at such address as such other holder shall have specified to the Company in writing, or

(iii) if to the Company, to the Company at its address set forth at the beginning hereof to the attention of President and Chief Operating Officer, or at such other address as the Company shall have specified to the holder of each Note in writing.

Notices under this Section 18 will be deemed given only when actually received.

Section 19. REPRODUCTION OF DOCUMENTS.

This Agreement and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by any Purchaser at the Closings (except the Notes themselves), and (c) financial statements,

certificates and other information previously or hereafter furnished to any Purchaser, may be reproduced by such Purchaser by any photographic, photostatic, electronic, digital, or other similar process and such Purchaser may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable Law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by such Purchaser in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Section 19 shall not prohibit the Company or any other holder of Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

Section 20. CONFIDENTIAL INFORMATION.

For the purposes of this Section 20, "Confidential Information" means information delivered to any Purchaser by or on behalf of the Company or any of its Subsidiaries in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature when received by such Purchaser as being confidential information of the Company or such Subsidiary, provided that such term does not include information that (a) was publicly known or otherwise known to such Purchaser prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by such Purchaser or any person acting on such Purchaser's behalf, (c) otherwise becomes known to such Purchaser other than through disclosure by the Company or any of its Subsidiaries or (d) constitutes financial statements delivered to such Purchaser under Section 7.1 that are otherwise publicly available. Each Purchaser will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by such Purchaser in good faith to protect confidential information of third parties delivered to such Purchaser, provided that such Purchaser may deliver or disclose Confidential Information to (i) its directors, officers, employees, agents, attorneys and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by its Notes), (ii) its financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this Section 20, (iii) any other holder of any Note, (iv) any Institutional Investor to which it sells or offers to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (v) any Person from which it offers to purchase any security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (vi) any federal or state regulatory authority having jurisdiction over such Purchaser, (vii) the NAIC or the SVO or, in each case, any similar organization, or any nationally recognized rating agency that requires access to information about such Purchaser's investment portfolio, or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to such Purchaser, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which such Purchaser is a party or (z) if an Event of Default has occurred and is continuing, to the extent such Purchaser may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under such Purchaser's Notes and this Agreement. Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and

to be entitled to the benefits of this Section 20 as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any holder of a Note of information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee), such holder will enter into an agreement with the Company embodying the provisions of this Section 20.

Section 21. SUBSTITUTION OF PURCHASER.

Each Purchaser shall have the right to substitute any one of its Affiliates as the purchaser of the Notes that it has agreed to purchase hereunder, by written notice to the Company, which notice shall be signed by both such Purchaser and such Affiliate, shall contain such Affiliate's agreement to be bound by this Agreement and shall contain a confirmation by such Affiliate of the accuracy with respect to it of the representations set forth in Section 6. Upon receipt of such notice, any reference to such Purchaser in this Agreement (other than in this Section 21), shall be deemed to refer to such Affiliate in lieu of such original Purchaser. In the event that such Affiliate is so substituted as a Purchaser hereunder and such Affiliate thereafter transfers to such original Purchaser all of the Notes then held by such Affiliate, upon receipt by the Company of notice of such transfer, any reference to such Affiliate as a "Purchaser" in this Agreement (other than in this Section 21), shall no longer be deemed to refer to such Affiliate, but shall refer to such original Purchaser, and such original Purchaser shall again have all the rights of an original holder of the Notes under this Agreement.

Section 22. MISCELLANEOUS.

Section 22.1. Successors and Assigns.

All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not.

Section 22.2. Payments Due on Non-Business Days.

Anything in this Agreement or the Notes to the contrary notwithstanding (but without limiting the requirement in Section 8.6 that the notice of any optional prepayment specify a Business Day as the date fixed for such prepayment), any payment of principal of or Make-Whole Amount or interest on any Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day; *provided* that if the maturity date of any Note is a date other than a Business Day, the payment otherwise due on such maturity date shall be made on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable on such next succeeding Business Day.

Section 22.3. Accounting Terms.

All accounting terms used herein which are not expressly defined in this Agreement have the meanings respectively given to them in accordance with GAAP. Except as otherwise specifically provided herein, (i) all computations made pursuant to this Agreement shall be made in accordance with GAAP, and (ii) all financial statements shall be prepared in accordance with GAAP.

Section 22.4. Severability.

Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by Law) not invalidate or render unenforceable such provision in any other jurisdiction.

Section 22.5. Construction, Etc.

Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

For the avoidance of doubt, all Schedules and Exhibits attached to this Agreement shall be deemed to be a part hereof.

Section 22.6. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

Section 22.7. Governing Law.

This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York.

Section 22.8. Jurisdiction and Process; Waiver of Jury Trial.

(a) The Company and each of the Purchasers irrevocably submits to the non-exclusive jurisdiction of any New York State or federal court sitting in the Borough of Manhattan, The City of New York, over any suit, action or proceeding arising out of or relating to this Agreement or the Notes. To the fullest extent permitted by applicable Law, the Company and each of the Purchasers, irrevocably waives and agrees not to assert, by way of motion, as a defense or otherwise, any claim that it is not subject to the jurisdiction of any such court, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

(b) The Company consents to process being served by or on behalf of any holder of Notes in any suit, action or proceeding of the nature referred to in Section 22.8(a) by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, return receipt requested, to it at its address specified in Section 18 or at such other address of which such holder shall then have been notified pursuant to said Section. Each Purchaser consents to process being served by or on behalf of the Company in any suit, action or proceeding of the nature referred to in Section 22.8(a) by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, return receipt requested, to it at its address specified in Section 18 or at such other address of which the Company shall then have been notified pursuant to said Section. The Company and each of the Purchasers agree that such respective service upon receipt (i) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding and (ii) shall, to the fullest extent permitted by applicable Law, be taken and held to be valid personal service upon and personal delivery to it. Notices hereunder shall be conclusively presumed received as evidenced by a delivery receipt furnished by the United States Postal Service or any reputable commercial delivery service.

(c) Nothing in this Section 22.8 shall affect the right of any holder of a Note to serve process in any manner permitted by Law, or limit any right that the holders of any of the Notes may have to bring proceedings against the Company in the courts of any appropriate jurisdiction or to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction.

(d) The parties hereto hereby waive trial by jury in any action brought on or with respect to this Agreement, the Notes or any other document executed in connection herewith or therewith.

Section 22.9. For Georgia Investors.

These Notes will be issued and sold in reliance on paragraph 13 of Code Section 10-5-9 of the "Georgia Securities Act of 1973," and may not be sold or transferred except in a transaction which is exempt under such Act or pursuant to an effective registration under such Act.

[*Remainder of Page Intentionally Left Blank*]

If you are in agreement with the foregoing, please sign the form of agreement on a counterpart of this Agreement and return it to the Company, whereupon this Agreement shall become a binding agreement between you and the Company.

Very truly yours,
TRANSWESTERN PIPELINE COMPANY, LLC

By: /s/ Richard N. Marshall
Name: Richard N. Marshall
Title: Vice President and Treasurer

[Actual Schedule A will be attached]

DEFINED TERMS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

"**Affiliate**" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person. For purposes of this definition, the term "control" (including the terms "controlling", "controlled by" and "under common control with") of a Person means the possession, direct or indirect of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of Voting Interests, by contract or otherwise.

"**Agreement**" means that certain Note Purchase Agreement, dated as of November 17, 2004 between the Company and the Purchasers.

"**Agreement Value**" means, for each Hedge Agreement, on any date of determination, an amount equal to all obligations thereunder (including the amount of any termination payments that would be payable on such date if the Hedge Agreement were terminated).

"**Anti-Terrorism Order**" means Executive Order No. 13,224 of September 24, 2001, Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism, 66 U.S. Fed. Reg. 49, 079 (2001), as amended.

"**Asset Sale**" means a sale, lease, transfer or other deposition by the Company or any of its Subsidiaries to any Person (other than the Company or any of its Subsidiaries), in one transaction or in a series of transactions, of any of its assets, other than (a) the sale of pipeline capacity or natural gas or inventory in the ordinary course of business, (b) the sale of surplus, obsolete or worn-out equipment, vehicles or other property in the ordinary course of business, (c) the lease or sublease of any property in the ordinary course of business, (d) the voluntary termination of any Hedge Agreement, (e) the sale or discount of accounts receivable in the ordinary course of business in connection with the compromise or collection thereof, and (f) the disposition of all or substantially all of its assets in a manner permitted pursuant to Section 10(e)(i) or Section 10(e)(ii).

"**Attributable Indebtedness**" means, with respect to any Sale Leaseback Transaction, the present value (discounted at the rate set forth or implicit in the terms of the lease included in such Sale Leaseback Transaction) of the total obligations of the lessee for rental payments (other than amounts required to be paid on account of taxes, maintenance, repairs, insurance, assessments, utilities, operating and labor costs and other items that do not constitute payments for property rights) during the remaining term of the lease included in such Sale Leaseback Transaction (including any period for which such lease has been extended). In the case of any lease that is terminable by the lessee upon payment of a penalty, the Attributable Indebtedness shall be the lesser of the Attributable Indebtedness determined assuming termination on the first date such lease may be terminated (in which case the Attributable Indebtedness shall also include the amount of the penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date on which it may be so terminated) or the Attributable Indebtedness determined assuming no such termination.

"**Bloomberg**" means Bloomberg Financial Markets.

"**Business Day**" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed.

"**Capitalized Leases**" means, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

"**Cases**" means the cases of Enron and certain of its Affiliates pursuant to chapter 11 of title 11 of the United States Code.

"**CCE Holdings**" means CCE Holdings, LLC, a Delaware limited liability company.

"**CERCLA**" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended from time to time.

"**CERCLIS**" means the Comprehensive Environmental Response, Compensation and Liability Information System maintained by the U.S. Environmental Protection Agency.

"**Change of Control**" means the occurrence of any of the following events: (a) the failure of Southern Union Company Entities and GE Entities to own, individually or collectively, more than 50% of the aggregate Equity Interests in CCE Holdings, (b) the failure of Southern Union Company Entities to own at least 40% of the aggregate Equity Interests in CCE Holdings, (c) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person (or syndicate or group of Persons which are deemed a "person" for the purposes of Section 13(d) and Section 14(d)(2) of the Securities Exchange Act of 1934, as amended) other than GE Entities, of more of the Equity Interests in CCE Holdings than Southern Union Company Entities, (d) the failure of a Southern Union Company Entity to be the managing member of CCE Holdings or (e) the failure of CCE Holdings to own, directly or indirectly, 100% of the Equity Interests in the Company.

"**Closing**" and "**Closings**" have the meanings assigned to those terms in Section 3 of this Agreement.

"**Code**" means the United States Internal Revenue Code of 1986, as amended from time to time.

"**Company**" has the meaning assigned to that term in the introductory paragraph of this Agreement.

"**Company Offer Notice**" has the meaning assigned to that term in Section 8.4(b) of this Agreement.

"**Confidential Information**" has the meaning assigned to that term in Section 20 of this Agreement.

"**Consolidated**" refers to the consolidation of accounts in accordance with GAAP.

"**Consolidated Net Tangible Assets**" means, at any date of determination, the total amount of assets of the Company and its Subsidiaries after deducting therefrom:

(a) all current liabilities (excluding (i) any current liabilities that by their terms are extendable or renewable at the option of the obligor thereon to a time more than 12 months after the time as of which the amount thereof is being computed, and (ii) current maturities of Long-Term Debt); and

(b) the value (net of any applicable reserves) of all goodwill, trade names, trademarks, patents and other like intangible assets,

all as set forth on the Consolidated balance sheet of the Company and its Subsidiaries for the Company's most recently completed fiscal quarter, prepared in accordance with GAAP.

"**Consolidated Total Capitalization**" means, at any time, an amount equal to the sum of (a) Consolidated Debt for Borrowed Money of the Company and its Subsidiaries at such time *plus* (b) an amount equal to the sum of all amounts which, in accordance with GAAP, would be included under members' equity on a Consolidated balance sheet of the Company and its Subsidiaries.

"**Contingent Obligation**" means, with respect to any Person, any Obligation or arrangement of such Person to guarantee or intended to guarantee any Debt, leases, dividends or other payment Obligations ("**primary obligations**") of any other Person (the "**primary obligor**") in any manner, whether directly or indirectly, including, without limitation, (a) the direct or indirect guarantee, endorsement (other than for collection or deposit in the ordinary course of business), co-making, discounting with recourse or sale with recourse by such Person of the Obligation of a primary obligor, (b) the Obligation to make take-or-pay or similar payments, if required, regardless of nonperformance by any other party or parties to an agreement (other than in the ordinary course of business and not in connection with a financing transaction of such Person) or (c) any Obligation of such Person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (A) for the purchase or payment of any such primary obligation or (B) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, assets, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the holder of such primary obligation against loss in respect thereof. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation is made (or, if less, the maximum amount of such primary obligation for which such Person may be liable pursuant to the terms of the instrument evidencing such Contingent Obligation) or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder), as determined by such Person in good faith.

"**Control Event**" means:

(i) the execution by the Company, the GE Entities, the Southern Union Company Entities, or any other Person (which has notified the Company) of any agreement or letter of intent with respect to any proposed transaction or event or series of transactions or events which, individually or in the aggregate, may reasonably be expected to result in a Change of Control,

(ii) the execution of any written agreement which, when fully performed by the parties thereto, would result in a Change of Control, or

(iii) the making of any written offer by any person (as such term is used in section 13(d) and section 14(d)(2) of the Exchange Act as in effect on the date of a Closing) or related persons constituting a group (as such term is used in Rule 13d-5 under the Exchange Act as in effect on the date of a Closing) to the holders of the common stock of the Company, which offer, if accepted by the requisite number of holders, would result in a Change of Control.

"**CrossCountry**" means CrossCountry Energy, LLC, a Delaware limited liability company.

"**CrossCountry Acquisition**" means the acquisition by CCE Holdings of 100% of all issued and outstanding Equity Interests in CrossCountry in accordance with the CrossCountry Acquisition Agreement.

"**CrossCountry Acquisition Agreement**" means that certain Purchase Agreement dated as of June 24, 2004 and amended by Amendment No. 1 dated as of September 1, 2004, and by Amendment No. 2 dated as of November 11, 2004, by and among Enron Operations Services, LLC, Enron Transportation Services, LLC, EOC Preferred, L.L.C. and Enron Corp., as sellers, and CCE Holdings, as purchaser, and all schedules, exhibits and annexes thereto.

"**Debt**" of any Person means, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all Obligations of such Person for the deferred purchase price of property or services (other than trade payables incurred in the ordinary course of such Person's business), (c) all Obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all Obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all Obligations of such Person as lessee under Capitalized Leases, (f) all Obligations of such Person under acceptance, letters of credit or other similar arrangements or credit support facilities, (g) all Obligations of such Person to purchase, redeem, retire, defease or otherwise make any payment in respect of any Equity Interests in such Person or any other Person or any warrants, rights or options to acquire such Equity Interests, valued, in the case of Redeemable Preferred Interests, at the greater of its voluntary or involuntary liquidation preference *plus* accrued and unpaid dividends, (h) all Contingent Obligations of such Person in respect of the types of Debt described in clauses (a) through (g) above and (i) all indebtedness and other payment Obligations referred to in clauses

(a) through (h) above of another Person secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien on property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such indebtedness or other payment Obligations.

"**Debt for Borrowed Money**" of any Person means, at any date of determination, all Debt of such Person (other than Debt referred to in clause (g) of the definition thereof).

"**Debt/Capitalization Ratio**" means, as of any date of determination, the ratio of (a) the aggregate amount of outstanding Consolidated Debt for Borrowed Money of the Company and its Subsidiaries as of such date to (b) Consolidated Total Capitalization of the Company and its Subsidiaries as of such date.

"**Default**" means the occurrence and continuance of an event, which with the giving of notice or lapse of time, or both, would constitute an Event of Default.

"**Default Rate**" means that rate of interest that is the greater of (i) 2.0% per annum above the rate of interest stated in clause (a) of the first paragraph of the Notes or (ii) 2.0% over the rate of interest publicly announced by JPMorgan Chase Bank in New York, New York, as its "base" or "prime" rate.

"**Disclosure Documents**" has the meaning assigned to that term in Section 5.3 of this Agreement.

"**Dispose**" or "**Disposition**" means a sale, lease, transfer or other disposition.

"**Enron**" means Enron Corp., an Oregon corporation.

"**Environmental Action**" means any action, suit, demand, demand letter, claim, notice of non-compliance or violation, notice of liability or potential liability, investigation, proceeding, consent order or consent agreement relating in any way to any Environmental Law, any Environmental Permit or Hazardous Material or arising from alleged injury or threat to health, safety or the environment, including, without limitation, (a) by any Governmental Authority for enforcement, cleanup, removal, response, remedial or other actions or damages and (b) by any Governmental Authority or third party for damages, contribution, indemnification, cost recovery, compensation or injunctive relief.

"**Environmental Law**" means any Federal, state, local or foreign statute, law, ordinance, rule, regulation, code, order, writ, judgment, injunction, decree or judicial or agency interpretation, policy or guidance relating to pollution or protection of the environment, health, safety or natural resources, including, without limitation, those relating to the use, handling, transportation, treatment, storage, disposal, release or discharge of Hazardous Materials.

"**Environmental Permit**" means any permit, approval, identification number, license or other authorization required under any Environmental Law.

"**Equity Interests**" means, with respect to any Person, shares of capital stock of (or other ownership or profit interests in) such Person, warrants, options or other rights for the purchase or other acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or other acquisition from such Person of such shares (or such other interests), and other ownership or profit interests in such Person (including, without limitation, partnership, member or trust interests therein), whether voting or non-voting, and whether or not such shares, warrants, options, rights or other interests are authorized or otherwise existing on any date of determination.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"**ERISA Affiliate**" means any Person that for purposes of Title IV of ERISA is a member of the controlled group of the Company or any of its Subsidiaries, or under common control with the Company or any of its Subsidiaries, within the meaning of Section 414(b), (c), (m), or (o) of the Internal Revenue Code.

"**ERISA Event**" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30 day notice period is waived); (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Internal Revenue Code or Section 302 of ERISA), which remains unsatisfied; (c) the filing pursuant to Section 412(d) of the Internal Revenue Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan which is pending; (d) the incurrence by the Company or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by the Company or any ERISA Affiliate from the PBGC or a plan administrator of any notice of proceedings to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by the Company or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by the Company or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from the Company or any ERISA Affiliate of any notice, imposing Withdrawal Liability or determining that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"**Event of Default**" has the meaning assigned to that term in Section 11 of this Agreement.

"**Excess Cash Proceeds**" has the meaning assigned to that term in Section 8.3(d) of this Agreement.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"**Existing Credit Facility**" means that certain Credit Agreement, dated as of May 3, 2004, among the Company, the lenders from time to time parties thereto, Wachovia Bank, National Association, as administrative agent and collateral agent, Suntrust Bank, as syndication agent and the other parties thereto.

"**First Closing**" has the meaning assigned to that term in Section 3 of this Agreement.

"**Fiscal Year**" means a fiscal year of the Company and its Consolidated Subsidiaries ending on December 31 in any calendar year.

"**GAAP**" means those generally accepted accounting principles as in effect from time to time in the United States of America.

"**GE Entities**" means, collectively, General Electric Capital Corporation, a Delaware corporation, and its Affiliates.

"**Governmental Authority**" means any nation or government, any state, province, city, municipal entity or other political subdivision thereof, and any governmental, executive, legislative, judicial, administrative or regulatory agency, department, authority, instrumentality, commission, board, bureau or similar body, whether federal, state, provincial, territorial, local or foreign, exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"**Governmental Authorization**" means any authorization, approval, consent, franchise, license, covenant, order, ruling, permit, certification, exemption, notice, declaration or similar right, undertaking or other action of, to or by, or any filing, qualification or registration with, any Governmental Authority.

"**Guarantor**" means any Subsidiary of the Company that enters into a Subsidiary Guaranty.

"**Hazardous Materials**" means (a) petroleum or petroleum products, by-products or breakdown products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls and radon gas and (b) any other chemicals, materials or substances designated, classified or regulated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

"**Hedge Agreements**" means interest rate, commodity or currency swap, cap or collar agreements, future or option contracts and other hedging agreements (including, without limitation, all "swap agreements" as defined in 11 U.S.C. § 101).

"**Holdco**" means Transwestern Holding Company, LLC, a Delaware limited liability company.

"**Holdco Credit Facility**" means the Credit Agreement, dated as of November 17, 2004, among Holdco, the lenders from time to time party thereto, JPMorgan Chase Bank, N.A., as administrative agent, Merrill Lynch Capital Corp., as syndication agent, WestLB AG, New York Branch, Bank of America, N.A. and SunTrust Bank, as Co-Documentation Agents.

"**Holdco Note Agreement**" means that certain Note Purchase Agreement, dated as of the date hereof, between Holdco and the purchasers listed in Schedule A thereto.

"**Holdco Notes**" means the $225,000,000 senior unsecured notes issued by Holdco on the date of the First Closing pursuant to the Holdco Note Agreement.

"**Institutional Investor**" means (a) any Purchaser of a Note, (b) any holder of a Note holding (together with one or more of its affiliates) $1,000,000 or more in aggregate principal amount of either the Series A Notes or the Series B Notes then outstanding, (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form, and (d) any Related Fund of any holder of any Note.

"**Insufficiency**" means, with respect to any Plan, the amount, if any, by which its benefit liabilities, as defined in Section 4001(a)(16) of ERISA, determined using the actuarial assumptions used for funding purposes in the most recent actuarial report prepared for such Plan, exceeds the fair market value of such Plan's assets.

"**Investment Company Act**" means the United States Investment Company Act of 1940, as amended from time to time, and the rules and regulations of the SEC promulgated thereunder.

"**Law**" means any foreign, federal, state, local (including municipal) or other statute, law, rule, regulation, ordinance, order, code, policy or rule of common law, now or hereafter in effect, and any judicial or administrative interpretation thereof by a Governmental Authority or otherwise (including any judicial or administrative order, consent decree, judgment, awards, injunction, determination, or writ to which the Company or any of its Subsidiaries is a party).

"**Leased Real Property**" has the meaning assigned to that term in Section 5.10 of this Agreement.

"**Lien**" means any lien, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement, including, without limitation, the lien or retained security title of a conditional vendor and any easement, right of way or other encumbrance on title to real property.

"**Loan Documents**" means this Agreement, the Notes and any Subsidiary Guaranty.

"**Long-Term Debt**" means any Debt that, in accordance with GAAP, constitutes (or, when incurred, constituted) a long-term liability.

"**Make-Whole Amount**" has the meaning assigned to that term in Section 8.8 of this Agreement.

"**Material**" means material in relation to the business, operations, affairs, financial condition, assets, properties, or prospects of the Company and its Subsidiaries taken as a whole.

"**Material Adverse Effect**" means a material adverse effect on (a) the business, operations, financial condition or assets of the Company and its Subsidiaries, taken as a whole, (b) the ability of any party to any Loan Documents to perform their obligations thereunder or (c) the validity or enforceability of any Loan Documents or the rights and remedies of the Purchasers.

"**Memorandum**" has the meaning assigned to that term in Section 5.3 of this Agreement.

"**Moody's**" means Moody's Investors Service, Inc.

"**Multiemployer Plan**" means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which the Company and its Subsidiaries or any ERISA Affiliate is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"**Multiple Employer Plan**" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Company and its Subsidiaries or any ERISA Affiliate and at least one Person other than the Company and its Subsidiaries and the ERISA Affiliates or (b) was so maintained and in respect of which the Company and its Subsidiaries or any ERISA Affiliate could reasonably be expected to have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

"**NAIC**" means the National Association of Insurance Commissioners or any successor thereto.

"**Net Cash Proceeds**" means, with respect to any Asset Sale, the aggregate amount of cash received from time to time (whether as initial consideration or through payment or disposition of deferred consideration) in connection with such transaction after deducting therefrom only (without duplication) (i) all out-of-pocket costs and expenses of the Company incurred in connection with such transaction, including any brokerage commissions, underwriting fees and discounts, legal fees, finder's fees and other similar fees and commissions, (ii) the amount of taxes payable in connection with or as a result of such transaction and (iii) the amount of any Debt secured by a Lien on such asset that, by the terms of the agreement or instrument governing such Debt, is required to be repaid upon such disposition, in each case to the extent, but only to the extent, that the amounts so deducted are, at the time of receipt of such cash, actually paid to a Person that is not an Affiliate of the Company or a Restricted Person and are properly attributable to such transaction or to the asset that is the subject thereof; *provided*, *however*, that in the case of taxes that are deductible under clause (ii) above but for the fact that, at the time of receipt of such cash, such taxes have not been actually paid or are not then payable, the Company or its Subsidiaries may deduct an amount (the "**Reserved Amount**") equal to the amount reserved in accordance with GAAP for the Company's or its Subsidiaries reasonable estimate of such taxes, other than taxes for which the Company or such Subsidiary is indemnified, *provided further, however*, that, at the time such taxes are paid, an amount equal to the amount, if any, by which the Reserved Amount for such taxes exceeds the amount of such taxes actually paid shall constitute "Net Cash Proceeds" of the type for which such taxes were reserved for all purposes hereunder.

"**New Credit Facility**" means the Credit Agreement, dated as of November 17, 2004, among the Company, the lenders from time to time party thereto, JPMorgan Chase Bank, N.A., as administrative agent, Merrill Lynch Capital Corp., as syndication agent, WestLB AG, New York Branch, Bank of America, N.A. and SunTrust Bank, as Co-Documentation Agents, or any refinancing or replacement thereof.

"**Non-Guarantor Subsidiary**" has the meaning assigned to that term in Section 9(i) of this Agreement.

"**Notes**" has the meaning assigned to that term in Section 1(ii) of this Agreement.

"**NPL**" means the National Priorities List under CERCLA.

"**Obligation**" means, with respect to any Person, any payment, performance or other obligation of such Person of any kind, including, without limitation, any liability of such Person on any claim, whether or not the right of any creditor to payment in respect of such claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, disputed, undisputed, legal, equitable, secured or unsecured, and whether or not such claim is discharged, stayed or otherwise affected by any proceeding referred to in Section 5.8. Without limiting the generality of the foregoing, the Obligations of the Company or any of its Subsidiaries under the Loan Documents include the obligation to pay principal, interest, premium (including any Make-Whole Amount), charges, expenses, fees, attorneys' fees and disbursements, indemnities and other amounts payable by the Company or any of its Subsidiaries under any Loan Document.

"**Officer's Certificate**" means, with respect to any Person, a certificate signed by a Responsible Officer of such Person.

"**PBGC**" means the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA, or any successor.

"**Permitted Liens**" means any of the following Liens:

(a) Any Lien:

(i) arising by reason of deposits with or the giving of any form of security to any governmental agency or any other governmental body created or approved by law or governmental regulation for any purpose at any time in connection with the financing of the acquisition or construction of property to be used in the business of the Company or a Subsidiary of the Company;

(ii) for current taxes and assessments or not at the time delinquent and for which adequate reserves have been established to the extent required by GAAP; or

(iii) for taxes and assessments which are delinquent but the validity of which is being contested at the time by the Company or a Subsidiary of the Company in good faith and by appropriate proceedings and for which adequate reserves have been established to the extent required by GAAP;

(b) Leases, whether now or hereafter existing, in the ordinary course of business, of property and assets now and hereafter owned by the Company or any of its Subsidiaries (excluding Capitalized Leases) and any renewals or extensions thereof;

(c) Liens reserved in leases, or arising by operation of law, for rent and for compliance with the terms of the lease in the case of the leasehold estates;

(d) Liens arising by reason of deposits with or the giving of any form of security to any governmental agency or any other governmental body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable the Company or its Subsidiaries to maintain self-insurance or to participate in any fund for liability on any insurance risks or in connection with workmen's compensation, unemployment insurance, old age pensions or other social security or to share in the privileges or benefits required for companies participating in such arrangements;

(e)(i) Mechanics', materialmen's, warehousemen's, landlord's or similar Liens or any Lien arising by reason of pledges or deposits to secure payment of workmen's compensation or other insurance or social security legislation, (ii) good faith deposits or downpayments in connection with tenders or leases of real estate, bids or contracts (other than contracts for the payment of money), including contracts for the acquisition of machinery and equipment, (iii) deposits to secure public or statutory obligations, (iv) deposits to secure or in lieu of surety, stay or appeal bonds, (v) margin deposits (*provided* that all such margin deposits shall not exceed $2,000,000 in the aggregate at any time) and (vi) deposits as security for the payment of taxes or assessments or other similar charges;

(f) Liens of any judgments not constituting an Event of Default under Section 11(h);

(g) Any obligation or duties, affecting the property of the Company or its Subsidiaries, to any municipality or governmental, statutory or other public authority with respect to any franchise, grant, lease, license, permit or similar arrangement with such authority;

(h) Rights reserved to or vested in any municipality or governmental, statutory or other public authority by the terms of any right, power, franchise, grant, license or permit or by any provision of law, to terminate or to require annual or other periodic payments as a condition to the continuance of such right, power, franchise, grant, license or permit;

(i) Rights reserved to or vested in any municipality or governmental, statutory or other public authority to control or regulate any property of the Company or its Subsidiaries, or to use such property in any manner which does not materially impair the use of such property for the purpose for which it is held by the Company or such Subsidiaries;

(j) Zoning laws and ordinances;

(k) Restrictive covenants, easements on, exceptions to or reservations in respect of any property of the Company or its Subsidiaries granted or reserved for the purpose of electric lines, fiber optic lines, water and sewer lines, pipelines, other utilities, roads, streets, alleys, highways, railroad purposes, the removal of oil, gas, hydrocarbon, coal or other minerals, and other like purposes, or for the use of real property or interests therein, facilities and equipment, which do not materially impair the use thereof for the purposes for which it is held by the Company or such Subsidiaries, and any and all rents, royalties, reservations, Liens and rights or interests of third parties, in each case not securing any Debt, arising in the ordinary course of business of the Company or its Subsidiaries by virtue of any lease or exploration, development, drilling, unitization, communitization or operating agreement relating to or affecting any oil, gas, hydrocarbon, coal or other mineral properties in which the Company or any of its Subsidiaries has an interest;

(l) Defects or irregularities of title, and inaccuracies of legal descriptions, affecting any portion of the property of the Company or any of its Subsidiaries that individually or in the aggregate do not materially interfere with the operation, value of use of the properties of the Company or such Subsidiaries taken as a whole;

(m) Liens securing Debt with respect to Debt of any Person that becomes a Subsidiary of the Company, provided that such Liens were in existence prior to the date on which such Person becomes a Subsidiary of the Company and were not created in contemplation of such Person becoming a Subsidiary of the Company;

(n) Liens on any office equipment, data processing equipment (including computer and computer peripheral equipment), or motor vehicles purchased in the ordinary course of the Company's business; and

(o) Liens created in the ordinary course of business and not in connection with the incurrence of secured Debt in favor of banks and other financial institutions constituting a right of set-off over credit balances or any bank accounts of the Company or any of its Subsidiaries held at such banks or financial institutions.

"**Person**" means an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"**Plan**" means a Single Employer Plan or a Multiple Employer Plan, as the context may require.

"**Preferred Interests**" means, with respect to any Person, Equity Interests issued by such Person that are entitled to a preference or priority over any other Equity Interests issued by such Person upon any distribution of such Person's property and assets, whether by dividend or upon liquidation.

"**Priority Obligations Amount**" means the sum (without duplication) of (i) all Attributable Indebtedness with respect to any Sale Leaseback Transaction entered into by the Company or any of its Subsidiaries, (ii) all Debt of the Company or any of its Subsidiaries secured by a Lien (other than Liens permitted by clauses (i) through (iii) of Section 10(a)) and (iii) all Debt of Non-Guarantor Subsidiaries (other than Debt owed to the Company or another Subsidiary).

"**Property**" means any right or interest in or to assets or property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible.

"**Proposed Asset Sale Prepayment Date**" has the meaning assigned to that term in Section 8.3(b) of this Agreement.

"**Proposed Change of Control Prepayment Date**" has the meaning assigned to that term in Section 8.4(c) of this Agreement.

"**PUHCA**" means the United States Public Utility Holding Company Act of 1935, as amended from time to time, and the rules and regulations of the SEC promulgated thereunder.

"**Purchaser**" has the meaning assigned to that term in the introductory paragraph of this Agreement.

"**Qualified Institutional Buyer**" means any Person who is a "qualified institutional buyer" within the meaning of such term as set forth in Rule 144A(a)(1) under the Securities Act.

"**Ratings Downgrade**" means, at any given time, a reduction, downgrade or withdrawal of a rating then assigned to either the Series A Notes or the Series B Notes, as the case may be, (including the placement of any such rating on "negative outlook" or "negative watch" or their equivalent) by S&P.

"**Redeemable**" means, with respect to any Equity Interest, any Debt or any other right or Obligation, any such Equity Interest, Debt, right or Obligation that (a) the issuer has undertaken to redeem at a fixed or determinable date or dates, whether by operation of a sinking fund or otherwise, or upon the occurrence of a condition not solely within the control of the issuer or (b) is redeemable at the option of the holder.

"**Regulation U**" has the meaning assigned to that term in Section 5.14 of this Agreement.

"**Related Fund**" means, with respect to any holder of any Note, any fund or entity that (i) invests in Securities or bank loans, and (ii) is advised or managed by such holder, the same investment advisor as such holder or by an affiliate of such holder or such investment advisor.

"**Required Holders**" means, at any time, the holders of more than 50% in principal amount of the Notes at the time outstanding (exclusive of Notes then owned by the Company or any Restricted Persons). Unless the context otherwise clearly requires (i) any reference to the "Required Holders" is a reference to the Required Holders of all of the Notes and (ii) at any time after the First Closing and prior to the Second Closing, the Purchasers, for purposes of Section 17.1 only, shall be deemed to be holders of Notes in the respective aggregate principal amounts to be purchased as of the Second Closing under this Agreement in connection with the determination of Required Holders.

"**Required Rating Agency**" means Fitch Ratings, S&P, Moody's or Dominion Bond Rating Service, or, in each case, any successor entity thereof, as recognized by NAIC.

"**Responsible Officer**" means any Senior Financial Officer and any other officer of the Company or its Subsidiaries, as applicable, with responsibility for the administration of the relevant portion of this Agreement.

"**Restricted Payment**" has the meaning assigned to that term in Section 10(f) of this Agreement.

"**Restricted Persons**" means any (i) Person that owns or otherwise controls, directly or indirectly, more than fifteen percent (15%) of the Equity Interests of the Company and any such Person's Subsidiaries or other Affiliates, and/or (ii) Person that is an Affiliate of the Company.

"**S&P**" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and any successor thereto.

"**Sale Leaseback Transaction**" has the meaning assigned to that term in Section 10(g) of this Agreement.

"**SEC**" means the United States Securities and Exchange Commission, or any successor thereto.

"**Second Closing**" has the meaning assigned to that term in Section 3 of this Agreement.

"**Securities**" or "**Security**" shall have the meaning specified in Section 2(1) of the Securities Act.

"**Securities Act**" means the United States Securities Act of 1933, as amended from time to time, and the rules and regulations of the SEC promulgated thereunder from time to time in effect.

"**Senior Financial Officer**" means the chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

"**Series A Notes**" has the meaning assigned to that term in Section 1 of this Agreement.

"**Series B Notes**" has the meaning assigned to that term in Section 1 of this Agreement.

"**Single Employer Plan**" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Company or any of its Subsidiaries or any ERISA Affiliate and no Person other than the Company and any of its Subsidiaries and the ERISA Affiliates or (b) was so maintained and in respect of which the Company or any of its Subsidiaries or any ERISA Affiliate could reasonably be expected to have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

"**Southern Union Company Entities**" means, collectively, Southern Union Company, a Delaware corporation, and its Affiliates.

"**Stated Maturity Date**" means (a) with respect to the Series A Notes, November 17, 2014 and (b) with respect to the Series B Notes, November 17, 2016.

"**Subsidiary**" of any Person means any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors of such Person (irrespective of whether at the time capital stock of any other class or classes of such Person shall or might have voting power upon the occurrence of any contingency), (b) the interest in the capital or profits of such partnership, joint venture or limited liability company or (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries.

"**Subsidiary Guaranty**" means each guaranty entered into, pursuant to Section 9(i), by a Subsidiary of the Company, substantially in form and substance reasonably acceptable to, and approved by, the Required Holders, guaranteeing the obligations of the Company and any other Subsidiary Guarantors under this Agreement and the Notes.

"**SVO**" means the Securities Valuation Office of the NAIC or any successor to such Office.

"**Term Advances**" has the meaning assigned to that term in Section 2.01(a) of the New Credit Facility.

"**USA Patriot Act**" means United States Public Law 107-56, Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"**Voting Interests**" means shares of capital stock issued by a corporation, or equivalent Equity Interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even if the right so to vote has been suspended by the happening of such a contingency.

"**Withdrawal Liability**" has the meaning specified in Section 4201(b) of ERISA.

SCHEDULE 5.5

FINANCIAL STATEMENTS

The firm selected to audit CCE Holdings following the closing of the acquisition of CrossCountry is currently reviewing the Company's implementation of FAS 142 "Goodwill and Other Intangible Assets" which was effective as of January 1, 2002. The auditor's review is focused on the amounts initially allocated to property plant and equipment ("PP&E") versus goodwill during the implementation of FAS 142. CCE Holdings understands that the auditor questions the accounting treatment and assignment of historical goodwill on the books and records of the Company. Additional historical information is currently being gathered and reviewed, however, the outcome is yet uncertain but may ultimately result in the restatement of the Company's audited financial statements ("Potential TWP Restatement") for the periods ended 2002 and 2003. It is expected that the restatement, if any, would reallocate amounts from goodwill to PP&E with related increases in annual depreciation and amortization ("D&A") as well as impacting certain deferred income tax accounts. The Potential TWP Restatement will also impact the Company's 2004 unaudited interim financial statements. The estimated potential impact of this restatement is to reduce retained earnings by approximately $12 million as of December 31, 2004, in order to reflect historical D&A for this reallocation, as well as to increase annual after-tax D&A by approximately $4 million. The final resolution of the potential restatement and estimated impact are subject to completion of audit procedures by CCE Holdings' auditor, and is expected to be complete within 75 days of CCE Holdings' closing of its acquisition of CrossCountry. As a result of the nature of the Potential TWP Restatement, neither historical nor projected cash flows are expected to be impacted.

SCHEDULE 5.8

LITIGATION

1. In Re Natural Gas Royalties Qui Tam Litigation previously known as Grynberg v. Enron, et al. (the Company, Florida Gas Transmission Company ("FGT") & Citrus Corp. ("Citrus")), U.S. District Court of Wyoming MDL Docket No. 1293 (CA. No. 99MD-1640 and 99MD1626). Qui tam action brought against numerous pipeline companies in America, including the Company, Citrus, FGT and Northern Border Pipeline, LLC and certain of their affiliates that have been consolidated in the U.S. District Court of Wyoming. Plaintiff alleges fraudulent practices in the measurement of gas and Btu content produced on federal lands resulting in lower royalties.

2. On August 1, 2002, the Federal Energy Regulatory Commission ("FERC") issued to the Company an order requiring the Company to explain why FERC should not find that: (1) the Company violated FERC's accounting regulations by failing to maintain written cash management agreements with Enron Corp.; and (2) the secured loan transactions entered into by the Company in November 2001 were imprudently incurred and why the costs arising from such transactions should be passed on to ratepayers. The Company filed a response to the order and subsequently entered into a settlement with FERC staff that resolved the issues raised by the order. FERC has approved this settlement; however, a group of the Company's customers filed a request for clarification and/or rehearing of FERC order approving the settlement. The Company has filed a response to the customer group's request for rehearing and/or clarification and this matter is currently awaiting FERC action.

The representation made in Section 5.8 of this Agreement is not qualified by reference to the other litigation described in Schedule 4.16 to the CrossCountry Acquisition Agreement, which the Company does not believe could be reasonably expected to result in a Material Adverse Effect.

EXISTING LIENS

1. Expiration of Permits – The following New Mexico State Highway Crossing Permits have expired. These permits are in the process of being renewed.
   a. 30” Loopline
      1. Chaves County – TW Tract No. M-1-L-H
      2. Lincoln County – TW Tract Nos. M-92-L-H and M-97-L-H
      3. Valencia County – TW Tract No. M-165-L-H
      4. Cibola County – TW Tract Nos. M-187-L-H.1, M-187-L-H.2, M-187-L-H.3, M-187-L-H.4, M-187-L-H.5 and M-193-L-H
   b. 24” West Texas Loop - Chaves County – TW Tract Nos. MTL-3-L-H, MTL-5-L-H, MTL-16B-L-H and MTL-66-L-H
   c. 36” West Texas Loop - Eddy County – TW Tract Nos. MTL-81-L-H, MTL-89-L-H and MTL-93-L-H
   d. 36” West Texas Loop - Lea County – TW Tract No. MTL-112-L-H
   e. 12” Atoka Artesia Lateral - Eddy County – TW Tract Nos. MTL-0001-L-10-HX.2 and MTL-0001-L-10-HX.3
   f. 16” Crawford Loop Lateral - Eddy County – TW Tract Nos. MTL-0002-L-20-HX and MTL-0002-L-21-HX.1
2. Rentals in arrears
   a. 16” Keystone Lateral
      1. Winkler County, Texas – TW Tract No. TL-0005-06-RRX.1. Rental last paid to Texas-New Mexico Railway Co. thru 1988 –Successor in title has never been identified despite attempts to do so.
      2. Winkler County, Texas – TW Tract No. TL-0005-06-RRX.2. Rental last paid to Texas-New Mexico Railway Co. thru 1988 –Successor in title has never been identified despite attempts to do so.
3. Right-of-Way Exceptions
   a. 30” Mainline
      1. TW Tract No. M-134A – SW/4 NW/4, Section 22, Township 2 North, Range 5 East, Torrance County, New Mexico. Pipeline traverses property for a distance of 1,548 feet or 0.293 miles. No Easement or permanent Right-of-Way file has been located. Owner(s) unknown.
      2. TW Tract No. M-167A – Portion of Belen Grant, Valencia County, New Mexico. Pipeline traverses property for a distance of approximately 4,000 feet or 0.758 miles. No Easement or permanent Right-of-Way file has been located. Owner(s) unknown.
      3. TW Tract No. M-236-R – Portion of S/2, Section 3, Township 13 North, Range 12 West, McKinley County, New Mexico. Pipeline traverses property for a distance of 2,878 feet or 0.545 miles. No Easement or permanent Right-of-Way file has been located. The owner in 1959 as reflected on alignment drawing was Electric Plains Railroad Spur; current owner(s) unknown.

b. 30" Loop of Mainline - TW Tract No. M-167A – Portion of Belen Grant, Valencia County, New Mexico. Pipeline traverses property for a distance of approximately 4,008 feet or 0.759 miles. No Easement or permanent Right-of-Way file has been located. Owner(s) unknown.

4. Navajo Nation Allotment Renewal – As of January 1, 2004, the Company's Grant of Right-of-Way by the U.S. Department of Interior ("DOI"), Bureau of Indian Affairs ("BIA") for a total of approximately forty-four (44) miles of pipeline on a total of sixty-nine (69) Navajo allotments expired. These allotments are lands within the Navajo Nation reservation that are privately held but administered by the BIA. One allottee has made claims of trespass. The BIA sent a letter dated January 20, 2004, noting certain alleged deficiencies in the Company Application for a Grant of Right-of-Way to renew right-of-way on these allotments and requesting a revised appraisal based on pipeline corridor valuations. The Company has responded that this appraisal methodology is not appropriate.

5. Southern Ute Tribe – the Company received letters dated May 27, 2003 and September 2, 2003 from the law firm of Maynes, Bradford, Shipps & Sheftek, LLP, on behalf of the Southern Ute Tribe ("Tribe") alleging trespass by the Company. The letters referenced a May 19, 2003 resolution by the Tribal Council of the Tribe, which revokes a 1996 resolution that granted the Tribe's Consent to a Partial Assignment by Northwest Pipeline Company ("Northwest") to the Company of certain interests in a 1990 Grant of Easement and Right-of-Way, issued by the Secretary of the Interior through the BIA. An application by the Company for approval of the assignment of this interest from Northwest has been in the possession of the BIA since 1999 with no action taken. The total distance of the right-of-way is approximately 6.6 miles. There is an approximate 3,100-foot "gap" in the description of the right-of-way in the BIA grant. The right-of-way for these 6.6 miles expires in September 2005. In addition, an application is pending with the BIA to renew a meter site and a buried electric cable right-of-way for which the Tribe has previously consented and which consent has not been revoked. The original right-of-way for the buried cable expired on November 16, 2000. The original right-of-way for the meter site expired on February 21, 2001.

6. Laguna Pueblo Allotments – the Company received a letter dated March 19, 2003 from the DOI-BIA on behalf of two private allotments within the boundaries of the Laguna Pueblo, that the Company has been in trespass on these two allotments since December 28, 2002. The Company's right-of-way on these two allotments expired on December 28, 2002. The total distance of the right-of-way is about 5,100 feet.

7. Navajo Nation Tribal Lands Renewal – As of January 1, 2004, the Company's grant of right-of-way by the DOI-BIA for a total of approximately 14 acres of land near Thoreau, N.M. expired. The Company is conducting remediation activities on this site. An application for renewal of approximately 7 acres has been submitted.

8. Other mortgages, liens or other encumbrances may exist which have not been subordinated to the title of the Company. For example, the majority of the property rights that acquired for pipelines are in the nature of easements, and upon taking these easements the fee property may have already been subject to a variety of encumbrances such as a mortgage. The Company may have taken the easement subject to the mortgages and may have not subsequently obtain a subordination from the mortgage company.

9. La Plata Facilities Ownership and Operating Agreement dated November 3, 1995, between Northwest Pipeline Corporation ("Northwest") and the Company. Pursuant to this agreement, which governs the ownership and operation of certain pipeline and compression facilities jointly owned by Northwest and the Company, a party proposing to transfer its ownership interest in the facilities to a third party must give the other party notice of such proposed transfer and the opportunity to match the third-party offer and acquire the ownership interest on the terms set forth in such offer.

10. Construction and Ownership Agreement dated November 18, 1991, among Northwest, the Company and Gas Company of New Mexico ("GCNM"). Pursuant to this agreement, which governs the ownership and operation of certain facilities (commonly referred to as the "Blanco Hub" facilities) jointly owned by Northwest, the Company and GCNM, a party proposing to transfer its ownership interest in the facilities to a third party must give the other parties notice of such proposed transfer and the opportunity to match the third-party offer and acquire the ownership interest on the terms set forth in such offer.

SCHEDULE 5.11

LICENSES, PERMITS, ETC.

Transfer Group Companies

1. Pending Service Marks of Transfer Group Companies:

   - "CCO CrossCountry Going the Distance"
     Design and Word Mark
     Serial Number: 78260327
     Application Filed: June 10, 2003
   - "CCO"
     Word Mark
     Serial Number: 78260317
     Application Filed: June 10, 2003
   - "GOING THE DISTANCE"
     Word Mark
     Serial Number 78260307
     Application Filed: June 10, 2003
   - "CROSSCOUNTRY"
     Word mark
     Serial Number: 78260283
     Application Filed: June 10, 2003

Transwestern

2. Active Service Marks:

   - "TW" including a design
     Registration Number: 0734713
     Registered on: July 17, 1962

   Registration Renewed: March 25, 2003 for an additional ten (10) year period.

   - "TRANSWESTERN"
     Registration Number: 0750308
     Registered on: May 28, 1963

   Registration Renewed: June 16, 2003 for an additional ten (10) year period.

3. On August 12, 2003, a Massachusetts company called "The CrossCountry Group, LLC" sent a demand letter to CrossCountry and affiliates requesting that they cease using the CrossCountry name.

SCHEDULE 5.15

EXISTING INDEBTEDNESS

The Company is obligated to make certain loan principal and interest payments pursuant to the Credit Agreement, dated as of May 3, 2004 (the "Transwestern Credit Agreement"), among the Company, as Borrower, the Initial Lenders and Initial Issuing Bank named therein, as Initial Lenders and Initial Issuing Bank, Wachovia Bank, National Association, as Administrative Agent and Collateral Agent, Suntrust Bank, as Syndication Agent, and Bank One, N.A., Citicorp USA, Inc. and Union Bank of California, N.A., as Joint Documentation Agents.

SCHEDULE 9(g)

EXCEPTIONS TO TRANSACTION WITH AFFILIATES

1. Administrative Services Agreement dated November 5, 2004 between CCE Holdings and SU Pipeline Management LP

2. The Company entered into a Cross License Agreement, dated as of March 31, 2004, by and among the Company, Enron Corp., Northern Border Intermediate Limited Partnership, FGT, Northern Border Pipeline, LLC, Enron Operations Services, LLC and Northern Plains Natural Gas Company, LLC.

Exhibit 10.55.1

EXECUTION COPY

TRANSWESTERN PIPELINE COMPANY, LLC

AMENDMENT NO. 1 TO

NOTE PURCHASE AGREEMENT

Dated as of April 18, 2007

5.39% Senior Unsecured Notes due November 17, 2014

and

5.54% Senior Unsecured Notes due November 17, 2016

TRANSWESTERN PIPELINE COMPANY, LLC
1331 Lamar, Suite 650
Houston, Texas 77010

5.39% Senior Unsecured Notes due November 17, 2014
5.54% Senior Unsecured Notes due November 17, 2016

AMENDMENT NO. 1 TO

NOTE PURCHASE AGREEMENT

Dated as of April 18, 2007

TO: EACH OF THE HOLDERS
LISTED ON THE
ATTACHED SCHEDULE A

Ladies and Gentlemen:

TRANSWESTERN PIPELINE COMPANY, LLC, a Delaware limited liability company (the "Company"), agrees with the holders of the Outstanding Notes (as defined below) on the attached Schedule A (the "Holders") as follows:

RECITALS:

WHEREAS, the Company has entered into a Note Purchase Agreement, dated as of November 17, 2004, with the initial Noteholders listed in Schedule A thereto (the "Existing NPA"), pursuant to which the Company has issued and sold an aggregate principal amount of (i) $270,000,000 aggregate principal amount of its 5.39% Senior Unsecured Notes due November 17, 2014 (the "Series A Notes"), and (ii) $250,000,000 aggregate principal amount of its 5.54% Senior Unsecured Notes due November 17, 2016 (the "Series B Notes" and together with the Series A Notes, the "Notes");

WHEREAS, in connection with the acquisition of all of the Equity Interests in the Company from its previous owners (namely, the Southern Union Company Entities and the GE Entities) by Energy Transfer Partners, L.P., a Delaware limited partnership ("ETP"), (i) the initial Noteholders put an aggregate principal amount of $307,000,000 of the Notes to the Company for prepayment by the Company (the "Prepaid Notes"), the Company has duly prepaid the Prepaid Notes in accordance with the provisions of the Existing NPA and the Prepaid Notes are no longer outstanding, and (ii) with respect to the Outstanding Notes (as defined below), the Company desires to amend the Existing NPA by way of this Amendment No. 1 thereto to, among other things, (A) amend the definition of "Change of Control" and "Control Event" to account for the Company's ownership by ETP, (B) change the definition of "Fiscal Year" of the Company, (C) provide for the provision of unsecured intercompany debt on a

subordinated basis, (D) delete the requirement that the Company maintain at least one rating on the Outstanding Notes, (E) delete the definitions of and references to certain entities and documents and (F) add or amend certain other relevant definitions and their use and certain schedules to the Existing NPA;

WHEREAS, pursuant to Section 17.1 of the Existing NPA, the written consent of (i) the Company and each Holder are required to amend Section 8 of the Existing NPA requested by the Company and set forth herein, and (ii) the Company and the Required Noteholders are required to amend the other provisions of the Existing NPA requested by the Company and set forth herein;

WHEREAS, as of the date hereof, $88,000,000 aggregate principal amount of the Series A Notes are Outstanding and $125,000,000 aggregate principal amount of the Series B Notes are outstanding (collectively, the "Outstanding Notes"), and the Holders, taken together, hold all of the outstanding Notes;

WHEREAS, capitalized terms used but not defined in this Amendment No. 1 shall have the meanings assigned to them in the Existing NPA;

WHEREAS, subject to the terms and conditions set forth herein, the Company and the Holders agree to amend the Existing NPA by way of this Amendment No. 1 thereto (this "Amendment No. 1", and the Existing NPA as amended by this Amendment No. 1, the "Amended NPA"), all in the manner specified on Exhibit A hereto and as more particularly set forth herein.

AGREEMENT:

NOW THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Holders agree as follows:

ARTICLE I

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

To induce the Holders to execute and deliver this Amendment No. 1, the Company represents and warrants to the Holders the following:

Section 1.01 Organization; Power and Authority.

This Amendment No. 1 has been duly authorized, executed and delivered by the Company and this Amendment No. 1 constitutes the legal, valid and binding obligation, contract and agreement of the Company enforceable against the Company in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally.

Section 1.02 Enforceability

The Existing NPA, as amended by this Amendment No. 1, constitutes the legal, valid and binding obligations, contracts and agreements of the Company enforceable against it in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally.

Section 1.03 Authorization, Consents, etc.

The execution, delivery and performance by the Company of this Amendment No. 1 (i) has been duly authorized by all requisite corporate action and, if required, shareholder action, (ii) does not require the consent or approval of any governmental or regulatory body or agency, and (iii) will not (A) violate (1) any provision of law, statute, rule or regulation or its certificate of incorporation or bylaws, (2) any order of any court or any rule, regulation or order of any other agency or government binding upon it, or (3) any provision of any material indenture, agreement or other instrument to which it is a party or by which its properties or assets are or may be bound, or (B) result in a breach or constitute (alone or with due notice or lapse of time or both) a default under any indenture, agreement or other instrument referred to in clause (iii)(A)(3) of this Section 1.03.

Section 1.04 No Default; Representations and Warranties

(a) No Default or Event of Default has occurred which is continuing as of the Effective Date (as defined below) and after giving effect to this Amendment No. 1.

(b) All the representations and warranties contained in the Amended NPA are true and correct in all material respects with the same force and effect as if made by the Company on and as of the Effective Date (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date shall be required to be true and correct in all material respects only as of such specified date).

Section 1.05 Outstanding Debt

The Company has paid off fully and finally the New Credit Facility (as defined in the Existing NPA), including accrued interest thereon and costs and expenses incurred in connection therewith, and has no obligations or liabilities thereunder.

ARTICLE II

AMENDMENTS WITH RESPECT TO EXISTING NPA; AFFIRMATION

Section 2.01 Amendments with respect to the Existing NPA.

The Company and, subject to the satisfaction of the conditions set forth in Section 3 hereof, the Holders, each hereby consent and agree that the Existing NPA is hereby amended in the manner specified in Exhibit A to this Amendment No. 1 (collectively, such amendments provided for in such Exhibit A are herein referred to as the "Amendments").

Section 2.02 Affirmation of Obligations under the Amended NPA and the Outstanding Notes.

The Company hereby acknowledges and affirms all of its obligations under the terms of the Amended NPA (including this Amendment No. 1) and the Outstanding Notes.

ARTICLE III

CONDITIONS TO EFFECTIVENESS OF AMENDMENTS

The (i) Required Noteholder Amendments (as defined below) shall not become effective unless conditions precedent set forth in Section 3.01(i) and Sections 3.02 through (and including) 3.05 shall have been satisfied in full on or before 5:00 p.m. (New York, New York time) on April 18, 2007 (the date of such satisfaction being herein referred to as the "Effective Date") and (ii) Unanimous Noteholder Amendments (as defined below) shall not become effective unless conditions precedent set forth in Section 3.01 (ii) and Sections 3.02 through (and including) 3.05 shall have been satisfied in full on or before 5:00 p.m. (New York, New York time) on the Effective Date:

Section 3.01 Execution and Delivery of this Amendment No. 1.

The Company shall have executed and delivered to each of the Holders an original counterpart of this Amendment No. 1, and (i) with respect to all the Amendments, other than the amendment to the definition of "Change of Control" and "Control Event" and the Amendment to Section 8 of the Existing NPA, the Required Noteholders (as such term is defined in the Existing NPA) shall have executed and delivered to the Company an original counterpart of this Amendment No. 1 (the "Required Noteholder Amendments"), and (ii) with respect to the amendment to the definition of "Change of Control" and "Control Event" and the Amendment to Section 8 of the Existing NPA, each Holder of Outstanding Notes shall have executed and delivered to the Company an original counterpart of this Amendment No. 1 (the "Unanimous Noteholder Amendments"). Execution of this Amendment No. 1 by the Required Noteholders shall bind the Holders of all Outstanding Notes with respect to the Required Noteholder Amendments.

Section 3.02 No Defaults; Warranties and Representations True.

After giving effect to the execution of this Amendment No. 1, including the Amendments, no Default or Event of Default shall exist, the representations and warranties set forth in Section 1 hereof shall be true and correct on the Effective Date, and the Holders shall have received a certificate, dated as of the Effective Date and signed by a Responsible Officer of the Company, to such effect and certifying that all of the conditions specified in this Section 3 have been satisfied.

Section 3.03 Authorization of Transactions.

(a) The Company shall have authorized, by all necessary limited liability company action, the Company's execution and delivery of the Amended NPA (including this Amendment No. 1) and the performance of all obligations, satisfaction of all conditions pursuant to this Section 3, and the consummation of all transactions contemplated by this Amendment No. 1.

(b) All limited liability company and other proceedings in connection with the transactions contemplated by the Amended NPA (including this Amendment No. 1) and all documents and instruments incident to such transactions shall be reasonably satisfactory to the Required Noteholders and the special counsel to the Holders, and the Holders and the special counsel to the Holders shall have received all such counterpart originals or certified or other copies of such documents as the Holders or such counsel to the Holders may reasonably request.

Section 3.04 Opinions of Counsel.

Each Holder and its counsel shall have received opinions in form and substance reasonably satisfactory to the Required Noteholders and special counsel to the Holders, dated the Effective Date from Vinson & Elkins L.L.P., and covering such matters incident to the transactions contemplated hereby as may be reasonably requested by the Required Noteholders (and the Company hereby instructs its counsel to deliver such opinions to the Holders).

Section 3.05 Expenses.

The Company shall have paid, on or prior to the Effective Date, the statement or statements of Dewey Ballantine LLP, counsel to the Holders, for the reasonable fees, expenses and costs relating to the analysis, negotiation and documentation of the matters addressed by the Amended NPA (including this Amendment No. 1), whether or not this Amendment No. 1 is executed or the Amendments become effective.

ARTICLE IV

MISCELLANEOUS

Section 4.01 Governing Law.

This Amendment No. 1 shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York.

Section 4.02 Counterparts.

This Amendment No. 1 may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

Section 4.03 Waivers and Amendments.

Neither this Amendment No. 1 nor any term hereof may be changed, waived, discharged, or terminated orally, or by any action or inaction, but only by an instrument in writing signed by the party against which enforcement of the change, waiver, discharge, or termination is sought.

Section 4.04 Status of Existing NPA.

Except as amended by this Amendment No. 1, the Existing NPA continues to be in full force and effect.

Section 4.05 Severability.

Any provision of this Amendment No. 1 that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by Law) not invalidate or render unenforceable such provision in any other jurisdiction.

Section 4.06 Section Headings.

The titles of the Sections hereof appear as a matter of convenience only, do not constitute a part of this Amendment No. 1, and shall not affect the construction hereof.

Section 4.07 Survival.

All warranties, representations, certifications, and covenants made by the Company in the Amended NPA (including this Amendment No. 1) or in any certificate or other instrument delivered pursuant to the Amended NPA (including this Amendment No. 1) shall be considered to have been relied upon by the Holders and shall survive the execution and delivery of this Amendment No. 1, regardless of any investigation made by or on behalf of the Holders. All statements in any such certificate or other instrument shall constitute warranties and representations of the Company under Amended NPA (including this Amendment No. 1).

[Remainder of page intentionally left blank; next page is signature page.]

IN WITNESS WHEREOF, the Company and the Noteholders have caused this instrument to be executed, all as of the day and year first above written.

TRANSWESTERN PIPELINE COMPANY, LLC

By: /s/ Jim Holotik
Jim Holotik, President

The foregoing is hereby agreed to as of the date thereof.

NOTEHOLDERS:

THE VARIABLE ANNUITY LIFE INSURANCE COMPANY

By: AIG Global Investment, investment advisor

By: /s/ Peter DeFazio
Name: Peter DeFazio
Title: Vice President

Aggregate principal amount of Outstanding Notes held by the above referenced Holder: $25,000,000.00

Indicate by checking the applicable spaces below whether the above referenced Holder is agreeing to (i) the Required Noteholder Amendments and/or (ii) the Unanimous Noteholder Amendments:

☑ Required Noteholder Amendments

☑ Unanimous Noteholder Amendments

The foregoing is hereby agreed to as of the date thereof.

MERIT LIFE INSURANCE CO.

By: AIG Global Investment Corp, investment advisor

By: /s/ Peter DeFazio
Name: Peter DeFazio
Title: Vice President

Aggregate principal amount of Outstanding Notes held by the above referenced Holder: $5,000,000.00

Indicate by checking the applicable spaces below whether the above referenced Holder is agreeing to (i) the Required Noteholder Amendments and/or (ii) the Unanimous Noteholder Amendments:

☑ Required Noteholder Amendments

☑ Unanimous Noteholder Amendments

The foregoing is hereby agreed to as of the date thereof.

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By: /s/ Brian N. Thomas
Name: Brian N. Thomas
Title: Vice President

Aggregate principal amount of Outstanding Notes held by the above referenced Holder: $8,330,900.00

Indicate by checking the applicable spaces below whether the above referenced Holder is agreeing to (i) the Required Noteholder Amendments and/or (ii) the Unanimous Noteholder Amendments:

☑ Required Noteholder Amendments

☑ Unanimous Noteholder Amendments

The foregoing is hereby agreed to as of the date thereof.

FORTIS BENEFITS INSURANCE COMPANY

By: Prudential Private Placement Investors, L.P. (as Investment Advisor)

By: Prudential Private Placement Investors, Inc.
(as its General Partner)

By: /s/ Brian N. Thomas
Name: Brian N. Thomas
Title: Vice President

Aggregate principal amount of Outstanding Notes held by the above referenced Holder: $2,836,940.00

Indicate by checking the applicable spaces below whether the above referenced Holder is agreeing to (i) the Required Noteholder Amendments and/or (ii) the Unanimous Noteholder Amendments:

☑ Required Noteholder Amendments

☑ Unanimous Noteholder Amendments

The foregoing is hereby agreed to as of the date thereof.

ZURICH AMERICAN INSURANCE COMPANY

By: Prudential Private Placement Investors, L.P. (as Investment Advisor)

By: Prudential Private Placement Investors, Inc. (as its General Partner)

By: /s/ Brian N. Thomas
Name: Brian N. Thomas
Title: Vice President

Aggregate principal amount of Outstanding Notes held by the above referenced Holder: $1,832,160.00

Indicate by checking the applicable spaces below whether the above referenced Holder is agreeing to (i) the Required Noteholder Amendments and/or (ii) the Unanimous Noteholder Amendments:

☑ Required Noteholder Amendments

☑ Unanimous Noteholder Amendments

The foregoing is hereby agreed to as of the date thereof.

PRINCIPAL LIFE INSURANCE COMPANY

By: Principal Global Investors, LLC, a Delaware limited liability company, its authorized signatory

By: /s/ Alan P. Kress
Name: Alan P. Kress
Title: Counsel

By: /s/ James C. Fifield
Name: James C. Fifield
Title: Assistant General Counsel

Aggregate principal amount of Outstanding Notes held by the above referenced Holder: $12,500,000.00

Indicate by checking the applicable spaces below whether the above referenced Holder is agreeing to (i) the Required Noteholder Amendments and/or (ii) the Unanimous Noteholder Amendments:

☒ Required Noteholder Amendments

☒ Unanimous Noteholder Amendments

The foregoing is hereby agreed to as of the date thereof.

RGA REINSURANCE COMPANY, a Missouri corporation

By: Principal Global Investors, LLC, a Delaware limited liability company, its authorized signatory

By: /s/ Alan P. Kress
Name: Alan P. Kress
Title: Counsel

By: /s/ James C. Fifield
Name: James C. Fifield
Title: Assistant General Counsel

Aggregate principal amount of Outstanding Notes held by the above referenced Holder: $6,000,000.00

Indicate by checking the applicable spaces below whether the above referenced Holder is agreeing to (i) the Required Noteholder Amendments and/or (ii) the Unanimous Noteholder Amendments:

☒ Required Noteholder Amendments

☒ Unanimous Noteholder Amendments

The foregoing is hereby agreed to as of the date thereof.

AVIVA LIFE INSURANCE COMPANY

By: Aviva Capital Management Inc., its authorized attorney-in-fact

By: /s/ Roger D. Fors
Name: Roger D. Fors
Title: VP-Private Debt

Aggregate principal amount of Outstanding Notes held by the above referenced Holder: $2,000,000.00

Indicate by checking the applicable spaces below whether the above referenced Holder is agreeing to (i) the Required Noteholder Amendments and/or (ii) the Unanimous Noteholder Amendments:

☒ Required Noteholder Amendments

☒ Unanimous Noteholder Amendments

The foregoing is hereby agreed to as of the date thereof.

CALHOUN & CO., AS NOMINEE FOR COMERICA BANK & TRUST, NATIONAL ASSOCIATION, TRUSTEE TO THE TRUST CREATED BY TRUST AGREEMENT DATED OCTOBER 1, 2002.

By: /s/ Lori Perrault
Name: Lori Perrault
Title: Attorney in Fact & Agent

Aggregate principal amount of Outstanding Notes held by the above referenced Holder: $1,500,000.00

Indicate by checking the applicable spaces below whether the above referenced Holder is agreeing to (i) the Required Noteholder Amendments and/or (ii) the Unanimous Noteholder Amendments:

☒ Required Noteholder Amendments

☒ Unanimous Noteholder Amendments

The foregoing is hereby agreed to as of the date thereof.

AVIVA LIFE INSURANCE COMPANY

By: Aviva Capital Management Inc., its authorized attorney-in-fact

By: /s/ Roger D. Fors
Name: Roger D. Fors
Title: VP - Private Debt

Aggregate principal amount of Outstanding Notes held by the above referenced Holder: $1,000,000.00

Indicate by checking the applicable spaces below whether the above referenced Holder is agreeing to (i) the Required Noteholder Amendments and/or (ii) the Unanimous Noteholder Amendments:

☒ Required Noteholder Amendments

☒ Unanimous Noteholder Amendments

The foregoing is hereby agreed to as of the date thereof.

THRIVENT FINANCIAL FOR LUTHERANS

By: /s/ Alan D. Onstad
Name: Alan D. Onstad
Title: Associate Portfolio Manager

Aggregate principal amount of Outstanding Notes held by the above referenced Holder: $18,000,000.00

Indicate by checking the applicable spaces below whether the above referenced Holder is agreeing to (i) the Required Noteholder Amendments and/or (ii) the Unanimous Noteholder Amendments:

☒ Required Noteholder Amendments

☒ Unanimous Noteholder Amendments

The foregoing is hereby agreed to as of the date thereof.

METLIFE INSURANCE COMPANY OF CONNECTICUT
(f/k/a The Travelers Insurance Company)

By: Metropolitan Life Insurance Company,
Its investment manager

By: /s/ Judith A. Gulotta
Name: Judith A. Gulotta
Title: Director

Aggregate principal amount of Outstanding Notes held by the above referenced Holder: $10,100,000.00

Indicate by checking the applicable spaces below whether the above referenced Holder is agreeing to (i) the Required Noteholder Amendments and/or (ii) the Unanimous Noteholder Amendments:

☒ Required Noteholder Amendments

☒ Unanimous Noteholder Amendments

The foregoing is hereby agreed to as of the date thereof.

METLIFE LIFE AND ANNUITY COMPANY OF CONNECTICUT (f/k/a The Travelers Life and Annuity Company)

By: Metropolitan Life Insurance Company,
Its investment manager

By: /s/ Judith A. Gulotta
Name: Judith A. Gulotta
Title: Director

Aggregate principal amount of Outstanding Notes held by the above referenced Holder: $1,600,000.00

Indicate by checking the applicable spaces below whether the above referenced Holder is agreeing to (i) the Required Noteholder Amendments and/or (ii) the Unanimous Noteholder Amendments:

☒ Required Noteholder Amendments

☒ Unanimous Noteholder Amendments

The foregoing is hereby agreed to as of the date thereof.

PRIMERICA LIFE INSURANCE COMPANY

By: Conning Asset Management Company,
its Investment Manager

By: /s/ Robert M. Mills
Name: Robert M. Mills
Title: Director

Aggregate principal amount of Outstanding Notes held by the above referenced Holder: $800,000.00

Indicate by checking the applicable spaces below whether the above referenced Holder is agreeing to (i) the Required Noteholder Amendments and/or (ii) the Unanimous Noteholder Amendments:

☒ Required Noteholder Amendments

☒ Unanimous Noteholder Amendments

The foregoing is hereby agreed to as of the date thereof.

METLIFE INSURANCE COMPANY OF CONNECTICUT (f/k/a The Travelers Insurance Company)

By: Metropolitan Life Insurance Company,
Its investment manager

By: /s/ Judith A. Gulotta
Name: Judith A. Gulotta
Title: Director

Aggregate principal amount of Outstanding Notes held by the above referenced Holder: $500,000.00

Indicate by checking the applicable spaces below whether the above referenced Holder is agreeing to (i) the Required Noteholder Amendments and/or (ii) the Unanimous Noteholder Amendments:

☒ Required Noteholder Amendments

☒ Unanimous Noteholder Amendments

The foregoing is hereby agreed to as of the date thereof.

THE LINCOLN NATIONAL LIFE INSURANCE COMPANY

By: Delaware Investment Advisers, a series of Delaware Management Business Trust, Attorney in Fact

By: /s/ Brad Ritter
Name: Brad Ritter
Title: Senior Vice President

Aggregate principal amount of Outstanding Notes held by the above referenced Holder: $15,000,000.00

Indicate by checking the applicable spaces below whether the above referenced Holder is agreeing to (i) the Required Noteholder Amendments and/or (ii) the Unanimous Noteholder Amendments:

☒ Required Noteholder Amendments

☒ Unanimous Noteholder Amendments

The foregoing is hereby agreed to as of the date thereof.

LINCOLN LIFE & ANNUITY COMPANY OF NEW YORK

By: Delaware Investment Advisers, a series of Delaware Management Business Trust, Attorney-in-Fact

By: /s/ Brad Ritter
Name: Brad Ritter
Title: Senior Vice President

Aggregate principal amount of Outstanding Notes held by the above referenced Holder: $4,000,000.00

Indicate by checking the applicable spaces below whether the above referenced Holder is agreeing to (i) the Required Noteholder Amendments and/or (ii) the Unanimous Noteholder Amendments:

☒ Required Noteholder Amendments

☒ Unanimous Noteholder Amendments

The foregoing is hereby agreed to as of the date thereof.

THE LINCOLN NATIONAL LIFE INSURANCE COMPANY, Successor by merger to JEFFERSON PILOT LIFE INSURANCE COMPANY

By: Delaware Investment Advisors, a series of Delaware Management Business Trust, Attorney in Fact

By: /s/ Brad Ritter
Name: Brad Ritter
Title: Senior Vice President

Aggregate principal amount of Outstanding Notes held by the above referenced Holder: $10,000,000.00

Indicate by checking the applicable spaces below whether the above referenced Holder is agreeing to (i) the Required Noteholder Amendments and/or (ii) the Unanimous Noteholder Amendments:

☒ Required Noteholder Amendments

☒ Unanimous Noteholder Amendments

The foregoing is hereby agreed to as of the date thereof.

JEFFERSON PILOT FINANCIAL INSURANCE COMPANY

By: Delaware Investment Advisors, a series of Delaware Management Business Trust, Attorney in Fact

By: /s/ Brad Ritter
Name: Brad Ritter
Title: Senior Vice President

Aggregate principal amount of Outstanding Notes held by the above referenced Holder: $6,000,000.00

Indicate by checking the applicable spaces below whether the above referenced Holder is agreeing to (i) the Required Noteholder Amendments and/or (ii) the Unanimous Noteholder Amendments:

☒ Required Noteholder Amendments

☒ Unanimous Noteholder Amendments

The foregoing is hereby agreed to as of the date thereof.

PACIFIC LIFE INSURANCE COMPANY

By: /s/ Cathy Schwartz
Name: Cathy Schwartz
Title: Assistant Vice President

By: /s/ Peter S. Fiek
Name: Peter S. Fiek
Title: Assistant Secretary

Aggregate principal amount of Outstanding Notes held by the above referenced Holder: $16,000,000.00

Indicate by checking the applicable spaces below whether the above referenced Holder is agreeing to (i) the Required Noteholder Amendments and/or (ii) the Unanimous Noteholder Amendments:

☒ Required Noteholder Amendments

☒ Unanimous Noteholder Amendments

The foregoing is hereby agreed to as of the date thereof.

AXA EQUITABLE LIFE INSURANCE COMPANY

By: /s/ Amy Judd
Name: Amy Judd
Title: Investment Officer

Aggregate principal amount of Outstanding Notes held by the above referenced Holder: $15,000,000.00

Indicate by checking the applicable spaces below whether the above referenced Holder is agreeing to (i) the Required Noteholder Amendments and/or (ii) the Unanimous Noteholder Amendments:

☒ Required Noteholder Amendments

☒ Unanimous Noteholder Amendments

The foregoing is hereby agreed to as of the date thereof.

MTL INSURANCE COMPANY

By: Prudential Private Placement Investors, L.P. (as Investment Advisor)

By: Prudential Private Placement Investors, Inc.
(as its General Partner)

By: /s/ Brian N. Thomas
Name: Brian N. Thomas
Title: Vice President

Aggregate principal amount of Outstanding Notes held by the above referenced Holder: $1,000,000.00

Indicate by checking the applicable spaces below whether the above referenced Holder is agreeing to (i) the Required Noteholder Amendments and/or (ii) the Unanimous Noteholder Amendments:

☑ Required Noteholder Amendments

☑ Unanimous Noteholder Amendments

The foregoing is hereby agreed to as of the date thereof.

SWISS RE LIFE & HEALTH AMERICA INC.

By: Conning Asset Management Company,
its Investment Manager

By: /s/ Robert M. Mills
Name: Robert M. Mills
Title: Director

Aggregate principal amount of Outstanding Notes held by the above referenced Holder: $10,000,000.00

Indicate by checking the applicable spaces below whether the above referenced Holder is agreeing to (i) the Required Noteholder Amendments and/or (ii) the Unanimous Noteholder Amendments:

☑ Required Noteholder Amendments

☑ Unanimous Noteholder Amendments

The foregoing is hereby agreed to as of the date thereof.

REASSURE AMERICA LIFE INSURANCE CO.

By: Conning Asset Management Company,
its Investment Manager

By: _____
Name:
Title:

Aggregate principal amount of Outstanding Notes held by the above referenced Holder: $4,000,000.00

Indicate by checking the applicable spaces below whether the above referenced Holder is agreeing to (i) the Required Noteholder Amendments and/or (ii) the Unanimous Noteholder Amendments:

☐ Required Noteholder Amendments

☐ Unanimous Noteholder Amendments

The foregoing is hereby agreed to as of the date thereof.

USAA LIFE INSURANCE COMPANY

By: /s/ John Spear
Name: John Spear
Title: VP, Life Insurance Portfolios

Aggregate principal amount of Outstanding Notes held by the above referenced Holder: $12,000,000.00

Indicate by checking the applicable spaces below whether the above referenced Holder is agreeing to (i) the Required Noteholder Amendments and/or (ii) the Unanimous Noteholder Amendments:

☑ Required Noteholder Amendments

☑ Unanimous Noteholder Amendments

The foregoing is hereby agreed to as of the date thereof.

AMERICAN INVESTORS LIFE INSURANCE COMPANY

By: Aviva Capital Management, Inc., its authorized attorney-in-fact

By: /s/ Roger D. Fors
Name: Roger D. Fors
Title: VP - Private Placements

Aggregate principal amount of Outstanding Notes held by the above referenced Holder: $5,000,000.00

Indicate by checking the applicable spaces below whether the above referenced Holder is agreeing to (i) the Required Noteholder Amendments and/or (ii) the Unanimous Noteholder Amendments:

☑ Required Noteholder Amendments

☑ Unanimous Noteholder Amendments

The foregoing is hereby agreed to as of the date thereof.

INDIANAPOLIS LIFE INSURANCE COMPANY

By: Aviva Capital Management, Inc., its authorized attorney-in-fact

By: /s/ Roger D. Fors
Name: Roger D. Fors
Title: VP - Private Placements

Aggregate principal amount of Outstanding Notes held by the above referenced Holder: $2,000,000.00

Indicate by checking the applicable spaces below whether the above referenced Holder is agreeing to (i) the Required Noteholder Amendments and/or (ii) the Unanimous Noteholder Amendments:

☑ Required Noteholder Amendments

☑ Unanimous Noteholder Amendments

The foregoing is hereby agreed to as of the date thereof.

PHOENIX LIFE INSURANCE COMPANY
By: Phoenix Investment Counsel, Inc.

By: /s/ Nelson Gorrea, CFA
Name: Nelson Gorrea, CFA
Title: Senior Managing Director

Aggregate principal amount of Outstanding Notes held by the above referenced Holder: $7,000,000.00

Indicate by checking the applicable spaces below whether the above referenced Holder is agreeing to (i) the Required Noteholder Amendments and/or (ii) the Unanimous Noteholder Amendments:

☑ Required Noteholder Amendments

☑ Unanimous Noteholder Amendments

The foregoing is hereby agreed to as of the date thereof.

AMERICAN FAMILY LIFE INSURANCE COMPANY

By: /s/ Phillip Hannifan
Name: Phillip Hannifan
Title: Investment Director

Aggregate principal amount of Outstanding Notes held by the above referenced Holder: $4,000,000.00

Indicate by checking the applicable spaces below whether the above referenced Holder is agreeing to (i) the Required Noteholder Amendments and/or (ii) the Unanimous Noteholder Amendments:

☑ Required Noteholder Amendments

☑ Unanimous Noteholder Amendments

The foregoing is hereby agreed to as of the date thereof.

COUNTRY LIFE INSURANCE COMPANY

By: /s/ John Jacobs
Name: John Jacobs
Title: Director - Fixed Income

Aggregate principal amount of Outstanding Notes held by the above referenced Holder: $3,000,000.00

Indicate by checking the applicable spaces below whether the above referenced Holder is agreeing to (i) the Required Noteholder Amendments and/or (ii) the Unanimous Noteholder Amendments:

☑ Required Noteholder Amendments

☑ Unanimous Noteholder Amendments

The foregoing is hereby agreed to as of the date thereof.

LAFAYETTE LIFE INSURANCE COMPANY

By: /s/ P. Greggory Williams, C.F.A.
Name: P. Greggory Williams, C.F.A.
Title: Vice President - Investments

Aggregate principal amount of Outstanding Notes held by the above referenced Holder: $1,000,000.00

Indicate by checking the applicable spaces below whether the above referenced Holder is agreeing to (i) the Required Noteholder Amendments and/or (ii) the Unanimous Noteholder Amendments:

☒ Required Noteholder Amendments

☒ Unanimous Noteholder Amendments

The foregoing is hereby agreed to as of the date thereof.

STANDARD INSURANCE COMPANY

By: /s/ Julie Grandstaff
Name: Julie Grandstaff
Title: Vice President & Managing Director

Aggregate principal amount of Outstanding Notes held by the above referenced Holder: $1,000,000.00

Indicate by checking the applicable spaces below whether the above referenced Holder is agreeing to (i) the Required Noteholder Amendments and/or (ii) the Unanimous Noteholder Amendments:

☒ Required Noteholder Amendments

☒ Unanimous Noteholder Amendments

SCHEDULE A

NOTEHOLDER	AGGREGATE PRINCIPAL AMOUNT OF OUTSTANDING NOTES
THE VARIABLE ANNUITY LIFE INSURANCE COMPANY	$ 25,000,000.00
MERIT LIFE INSURANCE CO.	$ 5,000,000.00
THE PRUDENTIAL INSURANCE COMPANY OF AMERICA	$ 8,330,900.00
FORTIS BENEFITS INSURANCE COMPANY	$ 2,836,940.00
ZURICH AMERICAN INSURANCE COMPANY	$ 1,832,160.00
PRINCIPAL LIFE INSURANCE COMPANY	$ 12,500,000.00
RGA REINSURANCE COMPANY	$ 6,000,000.00
AVIVA LIFE INSURANCE COMPANY	$ 2,000,000.00
CALHOUN & CO., as Nominee for COMERICA BANK & TRUST, NATIONAL ASSOCIATION, Trustee to the Trust created by Trust Agreement dated October 1, 2002	$ 1,500,000.00
AVIVA LIFE INSURANCE COMPANY	$ 1,000,000.00
THRIVENT FINANCIAL FOR LUTHERANS	$ 18,000,000.00
METLIFE INSURANCE COMPANY OF CONNECTICUT (f/k/a The Travelers Insurance Company)	$ 10,100,000.00
METLIFE LIFE AND ANNUITY COMPANY OF CONNECTICUT (f/k/a The Travelers Life and Annuity Company)	$ 1,600,000.00
PRIMERICA LIFE INSURANCE COMPANY	$ 800,000.00
METLIFE INSURANCE COMPANY OF CONNECTICUT (f/k/a The Travelers Insurance Company)	$ 500,000.00
THE LINCOLN NATIONAL LIFE INSURANCE COMPANY	$ 15,000,000.00

NOTEHOLDER	AGGREGATE PRINCIPAL AMOUNT OF OUTSTANDING NOTES
LINCOLN LIFE & ANNUITY COMPANY OF NEW YORK	$ 4,000,000.00
THE LINCOLN NATIONAL LIFE INSURANCE COMPANY, Successor by merger to JEFFERSON PILOT LIFE INSURANCE COMPANY	$ 10,000,000.00
JEFFERSON PILOT FINANCIAL INSURANCE COMPANY	$ 6,000,000.00
PACIFIC LIFE INSURANCE COMPANY	$ 16,000,000.00
AXA EQUITABLE LIFE INSURANCE COMPANY	$ 15,000,000.00
MTL INSURANCE COMPANY	$ 1,000,000.00
SWISS RE LIFE & HEALTH AMERICA INC.	$ 10,000,000.00
REASSURE AMERICA LIFE INSURANCE CO.	$ 4,000,000.00
USAA LIFE INSURANCE COMPANY	$ 12,000,000.00
AMERICAN INVESTORS LIFE INSURANCE COMPANY	$ 5,000,000.00
INDIANAPOLIS LIFE INSURANCE COMPANY	$ 2,000,000.00
PHOENIX LIFE INSURANCE COMPANY	$ 7,000,000.00
AMERICAN FAMILY LIFE INSURANCE COMPANY	$ 4,000,000.00
COUNTRY LIFE INSURANCE COMPANY	$ 3,000,000.00
LAFAYETTE LIFE INSURANCE COMPANY	$ 1,000,000.00
STANDARD INSURANCE COMPANY	$ 1,000,000.00

EXHIBIT A

(1) Disclosure. Section 5.3 of the Existing NPA is hereby amended by adding the following two sentences to the end thereof:

Neither the Amended NPA (including this Amendment No. 1) nor any written statement or other document, taken as a whole, furnished by the Company to the Holders in connection herewith (including Amendment No. 1) contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading. There is no fact that the Company has not disclosed to each Holder in writing that has had or could reasonably be expected to have a Material Adverse Effect on the ability of the Company to perform any of its obligations set forth in the Amended NPA (including Amendment No. 1) and the Notes.

(2) Organization and Ownership. Section 5.4 of the Existing NPA is hereby amended to delete "Holdco" appearing in the last sentence therein, and "ETP" is substituted for such deleted word.

(3) Schedule 5.8. Schedule 5.8 to the Existing NPA is hereby amended and restated in its entirety by, and is replaced by Schedule 5.8 to Amendment No. 1, and Schedule 5.8 shall constitute Schedule 5.8 to the Amended NPA.

(4) Taxes. Subsection (b) of Section 5.9 of the Existing NPA is hereby amended to delete the words "that will remain in effect after the consummation of the Crosscountry Acquisition" appearing after "arrangement" and before the final period.

(5) Schedule 5.10. Schedule 5.10 to the Existing NPA is hereby amended and restated in its entirety by, and is replaced by Schedule 5.10 to Amendment No. 1, and Schedule 5.10 shall constitute 5.10 to the Amended NPA.

(6) Schedule 5.11. Schedule 5.11 to the Existing NPA is hereby amended and restated in its entirety by, and is replaced by Schedule 5.11 to Amendment No. 1, and Schedule 5.11 shall constitute 5.11 to the Amended NPA.

(7) Existing Indebtedness. Section 5.15 of the Existing NPA is hereby amended in its entirety to read as follows:

Set forth on Schedule 5.15 hereto is a complete and accurate list of all indebtedness other than the Notes, as of the date of Amendment No. 1, of each item of Debt of the Company in principal amount outstanding in excess of $5,000,000 immediately before Amendment No. 1 becomes effective, showing as of such date the obligor and the principal amount outstanding thereunder.

(8) Schedule 5.15. Schedule 5.15 to the Existing NPA is hereby amended and restated in its entirety by, and is replaced by Schedule 5.15 to Amendment No. 1, and Schedule 5.15 shall constitute 5.15 to the Amended NPA.

(9) Regulatory Matters. Section 5.17 of the Existing NPA is hereby amended in its entirety to read as follows:

The Company is not, and will not be after giving effect to the offering of the Notes and the execution of this Agreement and the Notes, as applicable, subject to regulation under the ICC Termination Act of 1995, as amended. The Company is not an "investment company", as such term is defined in the Investment Company Act of 1940, as amended.

(10) Notes Pari Passu. Section 5.21 of the Existing NPA is hereby amended in its entirety to read as follows:

The Notes rank *pari passu* with the Company's unsecured, unsubordinated Debt (including, without limitation, Debt incurred in accordance with the terms of the New Credit Facility).

(11) Notice of Change of Control. The first sentence of Subsection (a) of Section 8.4 of the Existing NPA is hereby amended by (i) deleting the word "officer" and substituting the words "Responsible Officer" for such deleted word, and (ii) deleting the words "or its Subsidiaries" appearing after the words "of the Company" and before the words "has knowledge of the occurrence".

(12) Offer to Prepay Notes. The last sentence of Subsection (c) of Section 8.4 of the Existing NPA is hereby amended to read as follows:

The Proposed Change of Control Prepayment Date shall be not less than 30 days and not more than 60 days after the date of such offer (if the Proposed Change of Control Prepayment Date shall not be specified in such offer, the Proposed Change of Control Prepayment Date shall be the 60th day after the date of such offer).

(13) Transactions with Affiliates. Section 9(g) of the Existing NPA is hereby amended in its entirety to read as follows:

Conduct, and cause each of its Subsidiaries to conduct, all transactions otherwise permitted under the Loan Documents with any of their Affiliates on terms that are no less favorable to the Company or such Subsidiary than it would obtain in a comparable arm's-length transaction with a Person not an Affiliate.

(14) Continuance of Rating. Section 9(h) of the Existing NPA is hereby amended in its entirety to read as follows:

[Intentionally Omitted.]

(15) Restricted Payments. Clause (ii) of Section 10(f) of the Existing NPA is hereby amended in its entirety to read as follows:

(ii) so long as no Default or Event of Default has occurred and is continuing and the Company is in pro forma compliance with Section 10(i) after giving effect to such Restricted Payments, (A) the Company may make distributions to its direct parent or parents, (currently Energy Transfer Interstate Holdings, LLC, a Delaware limited liability company), and (B) the Company may repay any unsecured Debt owing to its direct or indirect parent (or any equity owner thereof) or any Affiliate thereof.

(16) Intercompany Debt. Section 10 of the Existing NPA is hereby amended by adding the following Subsection (j) thereto:

(j) Incur any Debt owed to the Company's direct or indirect parent (or any equity owner thereof) or any Affiliate thereof unless (A) such Debt is unsecured, (B) both immediately before and immediately after the incurrence of such Debt the Company is in compliance with Section 9(g) and Section 10(i) and (C) the documentation evidencing such Debt specifically includes the subordination provisions, in enforceable form, set forth in Schedule C as to which provisions both the lender(s) of such Debt and the Company shall be bound. The Company will promptly after execution thereof provide a copy of such documentation to each holder of a Note. No amendment or modification to Schedule C shall be entered into without the prior written consent of the Company and the holders of more than 90% in principal amount of the Notes at the time outstanding (exclusive of Notes then owned by the Company or any Restricted Persons).

(17) Events of Default. Subsection (f) of Section 11 of the Existing NPA is hereby amended to delete two occurrences of the phrase "Section 2.06 of" therein appearing after the word "under" and before the words "the New Credit Facility".

(18) Events of Default. Subsection (g) of Section 11 of the Existing NPA is hereby amended in its entirety to read as follows:

(g)(i) the Company, any Subsidiary of the Company or any ETP Holding Company shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or (ii) any proceeding shall be instituted by or against the Company, any Subsidiary of the Company or any ETP Holding Company seeking to adjudicate it as bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it) that is being diligently contested by it in good faith, either such proceeding shall remain undismissed or unstayed for a period of 60 days or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or any substantial part of its property) shall occur; or (iii) the Company, any Subsidiary of the Company or any ETP Holding Company shall take any corporate action to authorize any of the actions set forth above in this paragraph (g); or

(19) New Defined Terms. Schedule B of the Existing NPA is amended by inserting the following new definitions in alphabetical order therein:

"**Amendment No. 1**" means the Amendment No. 1 to Note Purchase Agreement, dated as of April 18, 2007, between the Company and the Holders (as such term is defined in such Amendment No. 1) party thereto.

"**ETP**" means Energy Transfer Partners, L.P., a Delaware limited partnership.

"**ETP Entities**" means, collectively, ETP and its Affiliates.

"**ETP Holding Company**" means any direct or indirect Subsidiary of ETP or its parent company that directly or indirectly holds more than 50% of the Equity Interests in the Company.

"**Term Advances**" any term loans made, from time to time, under the New Credit Facility.

(20) Amended and Restated Terms. Schedule B to the Existing NPA is further amended in their entirety by amending and restating the definitions of the following terms to read as follows:

"**Agreement**" means that certain Note Purchase Agreement, dated as of November 17, 2004 between the Company and the Purchasers party thereto, as amended by Amendment No. 1.

"**Change of Control**" means the occurrence of any of the following events: (a) the failure of one or more ETP Entities to directly own, individually or collectively, more than 50% of the Equity Interests in the Company, (b) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person (or syndicate or group of Persons which are deemed a "person" for the purposes of Section 13(d) and Section 14(d)(2) of the Securities Exchange Act of 1934, as amended) of more of the Equity Interests in Energy Transfer Interstate Holdings, LLC than the ETP Entities, or (c) the failure Energy Transfer Interstate Holdings, LLC to own, directly or indirectly, 100% of the Equity Interests in the Company.

"**Control Event**" means:

(i) the execution by the Company, any of the ETP Entities or any other Person (which has notified the Company) of any agreement or letter of intent with respect to any proposed transaction or event or series of transactions or events which, individually or in the aggregate, may reasonably be expected to result in a Change of Control,

(ii) the execution of any written agreement which, when fully performed by the parties thereto, would result in a Change of Control, or

(iii) the making of any written offer by any person (as such term is used in section 13(d) and section 14(d)(2) of the Exchange Act as in effect on the date of a Closing) or related persons constituting a group (as such term is used in Rule 13d-5 under the Exchange Act as in effect on the date of a Closing) to the holders of the common stock of the Company, which offer, if accepted by the requisite number of holders, would result in a Change of Control; provided, however, that this clause (iii) shall only be applicable when the Company has a class of equity securities registered pursuant to Section 12 of the Exchange Act.

"**Fiscal Year**" means (a) a fiscal year of the Company and its Consolidated Subsidiaries ending on August 31, or (b) if the Company notifies the Holders in writing that the Company has changed its fiscal year to December 31, thereafter a fiscal year of the Company and its Consolidated Subsidiaries ending on December 31.

"**New Credit Facility**" means any unsecured credit facility entered into at any time and from time to time after the date hereof (provided, that immediately before and after giving effect thereto there is no Default under Section 10(i) hereof) pursuant to which the Company incurs unsecured debt for borrowed money from commercial banks or other institutional lenders, or any refinancing or replacement thereof.

(21) New Schedule C. The Existing NPA is further amended by adding the following Schedule C thereto:

SCHEDULE C

INTERCOMPANY DEBT SUBORDINATION PROVISIONS

FORM OF SUBORDINATION PROVISION

Subordination. The Subordinated Lender (i.e., any of the Company's direct or indirect parent (s) (or any equity owner thereof) or any Affiliate thereof) and the Company each agrees that the debt created pursuant to this agreement (such debt, the "Subordinated Debt" and this agreement governing the Subordinated Debt, the "Subordinated Debt Agreement") is expressly made and shall be subordinate, to the extent and in the manner hereinafter set forth, in right of payment to the prior due and punctual payment in full of all obligations of the Company now or hereafter existing under the Notes (as defined in the Note Purchase Agreement referred to below), and any other amounts due by the Company in connection with or under the Note Purchase Agreement, dated as of November 17, 2004, as amended by Amendment No. 1 thereto, dated as of April ____ 2007 (and as the same may be further amended, modified or supplemented), among, in each case, the Company and the purchasers party thereto (the "Note Purchase Agreement", and such obligations, the "Obligations"), including but not

limited to the principal of, interest (including default interest) on, and any premium on, the Notes and for fees or expenses in connection therewith or under the Note Purchase Agreement (including without limitation interest (including default interest) after the filing of a petition initiating any proceeding with respect to the dissolution, winding up, liquidation, arrangement, reorganization, bankruptcy, insolvency, or receivership of the Company), and whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise. The Obligations shall not be deemed to have been paid in full until (a) all of the Obligations shall have been indefeasibly paid in full and (b) all commitments of the Company under the Note Purchase Agreement have been terminated.

The Subordinated Lender hereby agrees and covenants not to ask, demand, sue for, take or receive from the Company, directly or indirectly in cash or in other property or by set-off or in any other manner (including without limitation from or by way of collateral), payment of all or any of the principal of or interest on (or any other amounts with respect of) the Subordinated Debt, other than solely as payments permitted under, and in compliance with, Section 10(f) of the Note Purchase Agreement (including, in particular, Section 10(f)(ii) thereof) unless and until the Obligations shall have been paid in full, and the Company agrees not to make any such payment. The Company may not make any payments, whether of principal and/or interest and/or other amounts, on the Subordinated Debt unless the Company makes such payments as permitted under and in compliance with Section 10(f) of the Note Purchase Agreement (including, in particular, Section 10(f)(ii) thereof).

Insolvency. In the event of any dissolution, winding up, liquidation, arrangement, reorganization, adjustment, protection, relief or composition of the Company or its debts, whether voluntary or involuntary, in any bankruptcy, insolvency, arrangement, reorganization, receivership, relief or other similar case or proceeding under any federal or state bankruptcy or similar law or upon an assignment for the benefit of creditors or any other marshaling of the assets and liabilities of the Company or otherwise, the holders of the Notes shall be entitled to receive payment in full of the Obligations before the Subordinated Lender is entitled to receive any payment of all or any of such Subordinated Debt, and any payment or distribution of any kind (whether in cash, property or securities) that otherwise would be payable or deliverable upon or with respect to such Subordinated Debt in any such case, proceeding, assignment, marshaling or otherwise (including any payment that may be payable by reason of any other indebtedness of the Company being subordinated to payment of the Subordinated Debt) shall be paid or delivered directly to the holders of the Notes for application (in the case of cash) to, or as collateral (in the case of non-cash property or securities) for, the payment or prepayment of the Obligations until the Obligations shall have been indefeasibly paid in full ("Payment in Full").

Payments Received in Trust. All payments or distributions upon or with respect to the Subordinated Debt that are received by the Subordinated Lender contrary to the provisions of this Subordinated Debt Agreement shall be received in trust for the benefit of the holders of the Notes and shall be forthwith paid over to the holders of Notes in the same form as so received (with any necessary endorsement) to be applied to the payment or prepayment of the Obligations.

Senior Default. In the event that (i) any default in the payment of any principal of, interest on or fees relating to any of the Obligations or (ii) any event of default with respect to any of the Obligations shall have occurred and be continuing, then no payment (including any payment that may be payable by reason of any other indebtedness of the Company being subordinated to payment of the Subordinated Debt) shall be made by or on behalf of the Company for or on account of any Subordinated Debt, and the Subordinated Lender shall not take or receive from the Company, directly or indirectly, in cash or other property or by set-off or in any other manner, including, without limitation, from or by way of collateral, payment of all or any of the Subordinated Debt.

Express Third Party Beneficiaries. The Subordinated Lender and the Company agree that the holders of the Notes are express third party beneficiaries of the provisions contained herein.

LITIGATION

NONE.

Schedule 5.8
Amendment No. 1 to Note Purchase Agreement
(Replaces Schedule 5.8 to
Transwestern Pipeline Company, LLC Note Purchase Agreement)

EXISTING LIENS

1. Expiration of Permits – The following New Mexico State Highway Crossing Permits have expired. These permits are in the process of being renewed.
   a. 30" Loopline
      1. Chaves County – TW Tract No. M-1-L-H
      2. Lincoln County – TW Tract Nos. M-92-L-H and M-97-L-H
      3. Valencia County – TW Tract No. M-165-L-H
      4. Cibola County – TW Tract Nos. M-187-L-H.1, M-187-L-H.2, M-187-L-H.3, M-187-L-H.4, M-187-L-H.5 and M-193-L-H
   b. 24" West Texas Loop – Chaves County – TW Tract Nos. MTL-3-L-H, MTL-5-L-H, MTL-16B-L-H and MTL-66-L-H
   c. 36" West Texas Loop – Eddy County – TW Tract Nos. MTL-81-L-H, MTL-89-L-H and MTL-93-L-H
   d. 36" West Texas Loop – Lea County – TW Tract No. MTL-112-L-H
   e. 12" Atoka Artesia Lateral – Eddy County – TW Tract Nos. MTL-0001-L-10-HX.2 and MTL-0001-L-10-HX.3
   f. 16" Crawford Loop Lateral – Eddy County – TW Tract Nos. MTL-0002-L-20-HX and MTL-0002-L-21-HX.1

2. Rentals in arrears
   a. 16" Keystone Lateral
      1. Winkler County, Texas – TW Tract No. TL-0005-06-RRX.1. Rental last paid to Texas-New Mexico Railway Co. thru 1988 –Successor in title has never been identified despite attempts to do so.
      2. Winkler County, Texas – TW Tract No. TL-0005-06-RRX.2. Rental last paid to Texas-New Mexico Railway Co. thru 1988 –Successor in title has never been identified despite attempts to do so.

3. Right-of-Way Exceptions
   a. 30" Mainline
      1. TW Tract No. M-134A – SW/4 NW/4, Section 22, Township 2 North, Range 5 East, Torrance County, New Mexico. Pipeline traverses property for a distance of 1,548 feet or 0.293 miles. No Easement or permanent Right-of-Way file has been located. Owner(s) unknown.
      2. TW Tract No. M-167A – Portion of Belen Grant, Valencia County, New Mexico. Pipeline traverses property for a distance of approximately 4,000 feet or 0.758 miles. No Easement or permanent Right-of-Way file has been located. Owner(s) unknown.

Schedule 5.10
Amendment No. 1 to Note Purchase Agreement
(Replaces Schedule 5.10 to
Transwestern Pipeline Company, LLC Note Purchase Agreement)

3. TW Tract No. M-236-R – Portion of S/2, Section 3, Township 13 North, Range 12 West, McKinley County, New Mexico. Pipeline traverses property for a distance of 2,878 feet or 0.545 miles. No Easement or permanent Right-of-Way file has been located. The owner in 1959 as reflected on alignment drawing was Electric Plains Railroad Spur; current owner(s) unknown.

b. 30" Loop of Mainline – TW Tract No. M-167A – Portion of Belen Grant, Valencia County, New Mexico. Pipeline traverses property for a distance of approximately 4,008 feet or 0.759 miles. No Easement or permanent Right-of-Way file has been located. Owner(s) unknown.

c. 16" Crawford Lateral Loop – The ROW documents related to the below tracts were mistakenly referenced in a sale to GPM (Assets now owned by Duke Field Services, successor in title). However, TW is still in possession of the ROW documents and is in the process of attempting to have the sale document amended to remove the reference of the below tracts.

1. TW Tract No. MTL-0002-L-01-HX – Road crossing permit (9 rods)
2. TW Tract No. MTL-0002-L-08-RRX – Railroad crossing (13 rods)
3. TW Tract No. MTL-0002-L-07B – Easement (3 rods)
4. TW Tract No. MTL-0002-L-16-HX – Road crossing permit (1 rod)

4. Native American Lands:

a. Navajo Nation Allotment Renewal – As of January 1, 2004, the Company's Grant of Right-of-Way by the U.S. Department of Interior ("DOI"), Bureau of Indian Affairs ("BIA") for a total of approximately forty-four (44) miles of pipeline on a total of sixty-nine (69) Navajo allotments expired. These allotments are lands within the Navajo Nation reservation that are privately held but administered by the BIA. One allottee (Mr. Leon Gibson) has made claims of trespass. The aforementioned allottee's claim of trespass has been settled and his consent has been acquired. The BIA sent a letter dated January 20, 2004, noting certain alleged deficiencies in the Company Application for a Grant of Right-of-Way to renew right-of-way on these allotments and requesting a revised appraisal based on pipeline corridor valuations. The Company has responded that this appraisal methodology is not appropriate. New appraisals have been prepared in the 1st quarter of 2007 in compliance with BIA specifications and a receipt of the Renewal Grant for a 20-year term is expected by the 3rd quarter of 2007.

b. Southern Ute Tribe – the Company received letters dated May 27, 2003 and September 2, 2003 from the law firm of Maynes, Bradford, Shipps & Sheftek, LLP, on behalf of the Southern Ute Tribe ("Tribe") alleging trespass by the Company. The letters referenced a May 19, 2003 resolution by the Tribal Council

Schedule 5.10
Amendment No. 1 to Note Purchase Agreement
(Replaces Schedule 5.10 to
Transwestern Pipeline Company, LLC Note Purchase Agreement)

of the Tribe, which revokes a 1996 resolution that granted the Tribe's Consent to a Partial Assignment by Northwest Pipeline Company ("Northwest") to the Company of certain interests in a 1990 Grant of Easement and Right-of-Way, issued by the Secretary of the Interior through the BIA. An application by the Company for approval of the assignment of this interest from Northwest has been in the possession of the BIA since 1999 with no action taken. The total distance of the right-of-way is approximately 6.6 miles. There is an approximate 3,100-foot "gap" in the description of the right-of-way in the BIA grant. The right-of-way for these 6.6 miles expires in September 2005. In addition, an application is pending with the BIA to renew a meter site and a buried electric cable right-of-way for which the Tribe has previously consented and which consent has not been revoked. The original right-of-way for the buried cable expired on November 16, 2000. The original right-of-way for the meter site expired on February 21, 2001. Agreement for renewal of right-of way grants, between Southern Ute, Transwestern & Northwest, was concluded on June 14, 2006. A Grant of Easement for the pipeline [including the aforementioned 3,100-foot "gap"], buried cable and meter station was executed by the BIA for a term of 15-years, with an expiration date of September 5, 2020.

c. Laguna Pueblo Allotments – the Company received a letter dated March 19, 2003 from the DOI-BIA on behalf of two private allotments within the boundaries of the Laguna Pueblo, that the Company has been in trespass on these two allotments since December 28, 2002. The Company's right-of-way on these two allotments expired on December 28, 2002. The total distance of the right-of-way is about 5,100 feet. New appraisals have been prepared in compliance with BIA specifications. Negotiations with the 2 allotments are ongoing.

d. Navajo Nation Tribal Lands Renewal – As of January 1, 2004, the Company's grant of right-of-way by the DOI-BIA for a total of approximately 14 acres of land near Thoreau, N.M. expired. The Company is conducting remediation activities on this site. An application for renewal of approximately 7 acres has been submitted. The Navajo Nation is receiving annual payments for the 7 acre remediation site under the same CPI formula as contained in the expired Grant. They have requested that no action be taken on renewal of the Grant for the immediate future.

5. Other mortgages, liens or other encumbrances may exist which have not been subordinated to the title of the Company. For example, the majority of the property rights that acquired for pipelines are in the nature of easements, and upon taking these easements the fee property may have already been subject to a variety of encumbrances such as a mortgage. The Company may have taken the easement subject to the mortgages and may have not subsequently obtain a subordination from the mortgage company.

Schedule 5.10
Amendment No. 1 to Note Purchase Agreement
(Replaces Schedule 5.10 to
Transwestern Pipeline Company, LLC Note Purchase Agreement)

6. Encumbrances

a. La Plata Facilities Ownership and Operating Agreement dated November 3, 1995, between Northwest Pipeline Corporation ("Northwest") and the Company. Pursuant to this agreement, which governs the ownership and operation of certain pipeline and compression facilities jointly owned by Northwest and the Company, a party proposing to transfer its ownership interest in the facilities to a third party must give the other party notice of such proposed transfer and the opportunity to match the third-party offer and acquire the ownership interest on the terms set forth in such offer.

b. Construction and Ownership Agreement dated November 18, 1991, among Northwest, the Company and Gas Company of New Mexico ("GCNM"). Pursuant to this agreement, which governs the ownership and operation of certain facilities (commonly referred to as the "Blanco Hub" facilities) jointly owned by Northwest, the Company and GCNM, a party proposing to transfer its ownership interest in the facilities to a third party must give the other parties notice of such proposed transfer and the opportunity to match the third-party offer and acquire the ownership interest on the terms set forth in such offer.

Schedule 5.10
Amendment No. 1 to Note Purchase Agreement
(Replaces Schedule 5.10 to
Transwestern Pipeline Company, LLC Note Purchase Agreement)

SCHEDULE 5.11

LICENSES, PERMITS, ETC.

Transwestern

Active Trademarks:

- TW Logo — with Flame
  Registration Number: 0734713
  Registered on: July 17, 1962
- "TRANSWESTERN"
  Registration Number: 0750308
  Registered on: May 28, 1963

Schedule 5.11
Amendment No. 1 to Note Purchase Agreement
(Replaces Schedule 5.11 to
Transwestern Pipeline Company, LLC Note Purchase Agreement)

SCHEDULE 5.15

EXISTING INDEBTEDNESS

1. The Company is obligated to make certain loan principal and interest payments pursuant to the Promissory Note/Intercompany Loan Agreement (the Loan Agreement), dated as of January 31, 2007 in the amount of $293.3 million among the Company, as Borrower and Energy Transfer Partners, L.P., the Lender. The Company used the proceeds received from the Loan Agreement to pay certain notes put back to the Company due to the change of control event. The loan will be repaid with proceeds received from the new financing.

   The Loan Agreement is in compliance with the terms of Section 9(g).

Schedule 5.15
Amendment No. 1 to Note Purchase Agreement
(Replaces Schedule 5.15
Transwestern Pipeline Company, LLC Note Purchase Agreement)

Exhibit 10.56

EXECUTION COPY

TRANSWESTERN PIPELINE COMPANY, LLC

$82,000,000

5.64% Senior Unsecured Series 1 Notes due May 24, 2017

and

$150,000,000

5.89% Senior Unsecured Series 2 Notes due May 24, 2022

and

$75,000,000

6.16% Senior Unsecured Series 3 Notes due May 24, 2037

NOTE PURCHASE AGREEMENT

DATED MAY 24, 2007

TABLE OF CONTENTS

TRANSWESTERN PIPELINE COMPANY, LLC
5444 Westheimer Road
Houston, Texas 77056

5.64% Senior Unsecured Series 1 Notes due May 24, 2017
5.89% Senior Unsecured Series 2 Notes due May 24, 2022
6.16% Senior Unsecured Series 3 Notes due May 24, 2037

May 24, 2007

TO EACH OF THE PURCHASERS LISTED IN
SCHEDULE A HERETO:

Ladies and Gentlemen:

TRANSWESTERN PIPELINE COMPANY, LLC, a Delaware limited liability company (the "Company"), agrees with each of the purchasers whose names appear at the end hereof (each, a "Purchaser" and, collectively, the "Purchasers") as follows:

Section 1. AUTHORIZATION OF NOTES.

The Company will authorize the issue and sale of: (i) $82,000,000 aggregate principal amount of its 5.64% Senior Unsecured Series 1 Notes due May 24, 2017 (the "Series 1 Notes"), (ii) $150,000,000 aggregate principal amount of its 5.89% Senior Unsecured Series 2 Notes due May 24, 2022 (the "Series 2 Notes") and (iii) $75,000,000 aggregate principal amount of its 6.16% Senior Unsecured Series 3 Notes due May 24, 2037 (the "Series 3 Notes" and together with the Series 1 Notes and the Series 2 Notes, the "Notes"). The term "Notes" shall also include any such notes issued in substitution therefor pursuant to Section 13 of this Agreement. In addition, the Notes shall be substantially in the forms set forth in Exhibit 1(a), Exhibit 1(b) and Exhibit 1(c), respectively.

Certain capitalized terms used in this Agreement are defined in Schedule B; reference to a "Schedule" or an "Exhibit" are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement.

Section 2. SALE AND PURCHASE.

Subject to the terms and conditions of this Agreement, the Company will issue and sell to each Purchaser and each Purchaser will purchase from the Company, at the Closing provided for in Section 3, the Series 1 Notes, the Series 2 Notes and/or the Series 3 Notes, as the case may be, in the principal amount specified opposite such Purchaser's name in Schedule A at the purchase price of 100% of the principal amount thereof. The Purchasers' obligations hereunder are several and not joint obligations and no Purchaser shall have any liability to any Person for the performance or non-performance of any obligation by any other Purchaser hereunder.

Section 3. CLOSING.

The sale and purchase of the entire aggregate principal amount of the Series 1 Notes, Series 2 Notes and Series 3 Notes to be purchased by each Purchaser indicated on Schedule A hereto shall occur at the offices of Dewey Ballantine LLP, 1301 Avenue of the Americas, New York, NY 10019, at 10:00 a.m., New York time, at a closing on May 24, 2007 or on such other Business Day thereafter on or prior to June 8, 2007 as may be agreed upon by the Company and the Purchasers (the "Closing"). At the Closing, the Company will deliver to each Purchaser the Notes to be purchased by such Purchaser in the form of a single Series 1 Note, Series 2 Note and/or Series 3 Note, as the case may be, (or such greater number of Series 1 Notes, Series 2 Notes and/or Series 3 Notes, as the case may be, in denominations of at least $100,000 as such Purchaser may request) dated as of the date of the Closing and registered in such Purchaser's name (or in the name of its nominee), against delivery by such Purchaser to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds to such account(s) designated by the Company in the letter provided pursuant to Section 4.10 of this Agreement or at such other account(s) as shall be specified in writing to the Purchasers. If at the Closing the Company shall fail to tender such Notes to any Purchaser that is scheduled to purchase Notes on such date as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to such Purchaser's satisfaction, such Purchaser shall, at its election, be relieved of all further obligations under this Agreement, without thereby waiving any rights such Purchaser may have by reason of such failure or such nonfulfillment.

Section 4. CONDITIONS TO CLOSING.

Each Purchaser's obligation to purchase and pay for the Notes to be sold to such Purchaser at the Closing is subject to the fulfillment to such Purchaser's satisfaction, prior to or at the Closing, of the following conditions:

Section 4.1. Representations and Warranties.

The representations and warranties of the Company in this Agreement shall be true and correct when made and as of the date of the Closing (other than any such representations and warranties that, by their express terms, refer to a specific date other than the date of the Closing, in which case, shall be true and correct as of such specific date). The statements of the Company and its respective officers or Responsible Officers made in any certificates delivered pursuant to this Agreement shall be true and correct, in all material respects, when made and as of the date of the Closing (other than any such statements that, by their express terms, refer to a specific date other than the date of the Closing, in which case, shall be true and correct as of such specific date).

Section 4.2. Performance; No Default.

The Company shall have performed and complied, in all material respects, with all agreements and conditions contained in this Agreement and the Notes required to be performed or complied with by it prior to or at the Closing and, after giving effect to the issue and sale of the Notes (and the application of the proceeds thereof as contemplated by Section 5.14) and of

all other Debt to be issued by the Company as of the date of the Closing, no Default or Event of Default shall have occurred and be continuing. The Company shall not have entered into any transaction since the date of the Memorandum that would have been prohibited by Section 9(g) or Section 10(a), (b), (c), (f), (g), (i) or (j) had such Sections applied since such date.

Section 4.3. Compliance Certificates.

(a) *Officer's Certificate*. The Company shall have delivered to such Purchaser an Officer's Certificate, dated as of the date of the Closing, certifying that the conditions specified in Sections 4.1, 4.2, 4.9 and 4.12, as applicable, have been fulfilled.

(b) *Secretary's Certificate*. The Company shall have delivered to such Purchaser a certificate of its Secretary or Assistant Secretary, dated as of the date of the Closing, certifying as to, among other things, (i) the completeness and correctness of the limited liability company agreement attached thereto, (ii) the completeness and correctness of one or more resolutions or other authorizations attached thereto and other limited liability company proceedings relating to the authorization, execution and delivery of the Notes and this Agreement, (iii) the completeness and correctness of the bylaws or other governing documents of the Company as in effect on the date on which the resolutions referred to in clause (ii) above were adopted as of the date of the Closing, (iv) the due organization and good standing of the Company under the laws of its jurisdiction of organization, and the absence of any proceeding for the dissolution or liquidation of the Company, (v) the names and true signatures of the officers of the Company authorized to sign this Agreement, the Notes and the other documents to be delivered hereunder.

Section 4.4. Opinions of Counsel.

Such Purchaser and its counsel shall have received opinions in form and substance satisfactory to such Purchaser, dated as of the Closing from (a) Vinson & Elkins LLP, counsel for the Company, covering the matters set forth in Exhibit 4.4(a) and covering such other matters incident to the transactions contemplated hereby as such Purchaser or its counsel may reasonably request (and the Company hereby instructs its counsel to deliver such opinion to the Purchasers), (b) Thomas P. Mason, General Counsel of ETP, the indirect owner of all of the equity interests of the Company, covering the matters set forth in Exhibit 4.4(b) and covering such other matters incident to the transactions contemplated hereby as such Purchaser or its counsel may reasonably request, and (c) Dewey Ballantine LLP, the Purchasers' special counsel in connection with the transactions contemplated hereby, and covering such other matters incident to such transactions as such Purchaser may reasonably request.

Section 4.5. Purchase Permitted By Applicable Law, Etc.

On the date of the Closing, such Purchaser's purchase of Notes shall (a) be permitted by the laws and regulations of each jurisdiction to which such Purchaser is subject, without recourse to provisions (such as section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (b) not violate any applicable Law or regulation (including, without limitation, Regulation T, U or X of the Board of Governors of the Federal Reserve System) and (c) not subject such Purchaser to any tax, penalty or liability under or pursuant to any applicable Law or

regulation, which Law or regulation was not in effect on the date hereof. If requested by such Purchaser at least three Business Days prior to the date of the Closing, such Purchaser shall have received an Officer's Certificate certifying as to such matters of fact concerning the Company as such Purchaser may reasonably specify to enable such Purchaser to determine whether such purchase is so permitted.

Section 4.6. Sale of Other Notes.

Contemporaneously with the Closing, the Company shall sell to each other Purchaser and each other Purchaser shall purchase the Notes to be purchased by it at the Closing as specified in Schedule A.

Section 4.7. Payment of Special Counsel Fees.

Without limiting the provisions of Section 15.1, the Company shall have paid on or before the Closing the reasonable fees, charges and disbursements of the Purchasers' special counsel referred to in Section 4.4 to the extent reflected in a statement of such counsel rendered to the Company at least one Business Day prior to the Closing.

Section 4.8. Private Placement Number.

A Private Placement Number issued by S&P's CUSIP Service Bureau (in cooperation with the SVO) shall have been obtained for each of the Series 1 Notes, the Series 2 Notes and the Series 3 Notes.

Section 4.9. Changes in Corporate Structure.

The Company shall not have changed its jurisdiction of organization or been a party to any merger or consolidation or succeeded to all or any substantial part of the liabilities of any other entity, at any time following December 31, 2006.

Section 4.10. Funding Instructions.

At least two Business Days prior to the date of the Closing, each Purchaser shall have received written instructions signed by a Responsible Officer on letterhead of the Company or ETP confirming the information specified in Section 3 including (i) the name and address of the transferee bank, (ii) such transferee bank's ABA number and (iii) the account name and number into which the purchase price for the Notes is to be deposited.

Section 4.11. Proceedings and Documents.

All limited liability company, corporate and other proceedings in connection with the transactions contemplated by this Agreement and the Notes and all other documents and instruments incident to such transactions shall be satisfactory to such Purchaser and its special counsel, and such Purchaser and its special counsel shall have received all such counterpart originals or certified or other copies of such documents as such Purchaser or such special counsel may reasonably request.

Section 4.12. No Legal Impediment to Issuance.

No action shall have been taken or, to the best knowledge of the Company, be threatened, and no statute, rule, regulation or order shall have been enacted, adopted or issued by any Governmental Authority that would, as of the date of the Closing, prevent the issuance or sale of the Notes; and no injunction or order of any other nature by any Governmental Authority shall have been issued or shall be pending or, to the best knowledge of the Company, threatened that would, as of the date of the Closing, prevent the issuance or sale of the Notes.

Section 5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to each Purchaser that:

Section 5.1. Organization; Power and Authority.

The Company (i) is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware, (ii) is duly qualified and in good standing in each other jurisdiction in which it owns or leases property or in which the conduct of its business requires it to so qualify or be licensed except, where the failure to so qualify or be in good standing would not be reasonably expected to have a Material Adverse Effect and (iii) has all requisite limited liability company power and authority (including, without limitation, all Governmental Authorizations) to own or lease and operate its properties, to carry on its business as now conducted and as proposed to be conducted, except, in the case of Governmental Authorizations, where the failure to have any such Governmental Authorizations could not reasonably be expected to have a Material Adverse Effect, and to execute this Agreement and the Notes and to perform the provisions hereof and thereof.

Section 5.2. Authorization, Etc.

This Agreement and the Notes have been duly authorized by all necessary limited liability company action on the part of the Company, and this Agreement and the Notes constitute, and upon execution and delivery thereof will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 5.3. Disclosure.

The Company, through its agent, J.P. Morgan Securities Inc., has delivered to you and each other Purchaser a copy of a Private Placement Memorandum, dated April 2007 (the "Memorandum"), relating to the transactions contemplated hereby. The Memorandum fairly describes, in all material respects, the general nature of the business and principal properties of the Company. This Agreement, the Notes, the Memorandum, the documents, certificates or other writings delivered to the Purchasers by or on behalf of the Company in connection with the transactions contemplated hereby and the financial statements described in Section 5.5, (this Agreement, the Notes, the Memorandum, and such documents, certificates or other writings and

such financial statements delivered to each Purchaser prior to May 7, 2007 being referred to, collectively, as the "Disclosure Documents") taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made; *provided*, that, with respect to projected and pro forma financial information provided in connection with the Memorandum, the Company represents only that such information was prepared in good faith based upon estimates and assumptions believed by the Company to be accurate and reasonable at the time. Except as disclosed in the Disclosure Documents, since December 31, 2006, there has been no change in the financial condition, operations, business, properties or prospects of the Company except changes that individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect. There is no fact known to the Company that could reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the Disclosure Documents

Section 5.4. Organization and Ownership of Equity Interests of Subsidiaries; Affiliates.

As of the Closing, the Company has no Subsidiaries. As of the Closing, ETP Holdco directly owns 100% of the Equity Interests of the Company and ETP directly owns 100% of the Equity Interests of ETP Holdco.

Section 5.5. Financial Statements.

The Company has delivered to the Purchasers the Consolidated balance sheet of the Company and its Subsidiaries as at December 31, 2004, 2005 and 2006 and the related Consolidated statement of income and Consolidated statement of cash flows of the Company and its Subsidiaries for the Fiscal Year then ended, accompanied, in the case of the Company's Consolidated audited financial statements for the year ended December 31, 2006, by an unqualified opinion of PricewaterhouseCoopers LLP, independent public accountants. Such financial statements present fairly, in all material respects, the Consolidated financial condition of the Company and its Subsidiaries as at such dates and the Consolidated results of operations of the Company and its Subsidiaries for the periods ended on such dates, all in accordance with GAAP.

Section 5.6. No Conflict, Other Instruments, Etc.

The execution, delivery and performance by the Company of this Agreement and the Notes, as applicable, and the consummation of the transactions contemplated hereby, do not (i) contravene the Company's organizational documents, (ii) violate any Law (other than with respect to any prohibited transaction as defined in Section 406 of ERISA or Section 4975 of the Code or violation of Part 4 of Title I of ERISA, as to which no representation is being made), (iii) conflict with or result in the breach of, or constitute a default or require any material payment to be made under any contract, loan agreement, indenture, mortgage, deed of trust, lease or other instrument binding on or affecting the Company or any of its Properties, (iv) result in or require the creation or imposition of any Lien upon or with respect to any of the Properties of the Company, except for (A) in the case of clauses (iii) and (iv) (other than with respect to the consummation of the transactions contemplated hereby), breaches of any such contract, loan

agreement, indenture, mortgage, deed of trust, lease or other instrument or creation of a Lien that could not be reasonably expected to have a Material Adverse Effect and (B) in the case of clauses (iii) and (iv) with respect to the consummation of the transactions contemplated hereby, breaches of any such contract, loan agreement, indenture, mortgage, deed of trust, lease or other instrument or creation of a Lien that to the knowledge of the Company could not be reasonably expected to have a Material Adverse Effect.

Section 5.7. Governmental Authorizations, Etc.

No Governmental Authorization, and no notice to or filing with, any Governmental Authority (including, without limitation, the SEC under PUHCA) or any other third party, is required in connection with the execution, delivery or performance by the Company of this Agreement and the Notes and the transactions contemplated herein or therein (including without limitation, the incurrence of Debt under this Agreement and the Notes and the repayment thereof and the exercise by any holder of Notes of its rights under the Loan Documents), except for those authorizations, approvals, actions, notices and filings with respect to the consummation of the transactions contemplated hereby, (A) which have been duly obtained or made or (B) the failure of which to be obtained or made could not reasonably be expected to have a Material Adverse Effect.

Section 5.8. Litigation.

(a) There is no action, suit, investigation or proceeding pending or, to the knowledge of the Company, threatened against or affecting the Company, including any Environmental Action in any court or before any arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, (i) could be reasonably expected to have a Material Adverse Effect, or (ii) purports to affect the legality or validity, or enforceability of this Agreement and the Notes or the consummation of the transactions contemplated hereby.

(b) The Company is not in default under any term of any agreement or instrument to which it is a party or by which it is bound, or any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable Law, ordinance, rule or regulation (including without limitation Environmental Laws or the USA Patriot Act) of any Governmental Authority, which default or violation, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

Section 5.9. Taxes.

(a) The Company has filed or caused to be filed all United States federal income tax returns and all other material domestic tax returns which to the knowledge of the Company are required to be filed by the Company and has paid or provided for the payment, before the same become delinquent, of all taxes due pursuant to such returns or pursuant to any assessment received by the Company, other than (i) those taxes contested in good faith by appropriate proceedings, and (ii) any such payment in an amount not to exceed $1,000,000 in the aggregate at any time outstanding.

(b) The Company is not a party to any tax sharing agreement or arrangement.

Section 5.10. Title to Property; Liens; Leases.

(a) The Company has good and valid title to, or holds a valid leasehold, license or other interest in, or right of way easement through all items of real property used by it in the ordinary course of business with such exceptions as would not reasonably be expected to have, in the aggregate, a Material Adverse Effect, in each case free and clear of all Liens (except for (i) all Liens set forth on Schedule 5.10, (ii) Permitted Liens and (iii) such other Liens that would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect). With respect to each material parcel of real property that is leased by the Company as tenant (the "Leased Real Property"), to the knowledge of the Company, (x) the Company has not received any notice of default under any lease pertaining to any of the Leased Real Property in the twelve (12) month period prior to the date hereof and (y) there are no uncured defaults under any lease without regard to when notice may have been given that would give the counterparty the right to terminate such lease, in each case with such exceptions as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(b) The Company has not agreed or consented to cause or permit in the future (upon the happening of a contingency or otherwise and whether as to the Company or any Subsidiary it may have in the future) any of its property (or such future Subsidiary's property), whether now owned or hereafter acquired, to be subject to a Lien not permitted by Section 10(a).

Section 5.11. Licenses, Permits, Etc.

Except as set forth on Schedule 5.11, the Company does not have any interest in any material patents, patent licenses, copyrights, service marks, trademarks and trade names. To the Company's knowledge, the use of any intellectual property set forth on Schedule 5.11 by the Company does not conflict with the asserted rights of others, with such exceptions as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

Section 5.12. Compliance with ERISA.

(a) No ERISA Event has occurred during the prior five year period or is reasonably expected to occur with respect to any Plan that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect.

(b) Neither the Company nor any ERISA Affiliate has incurred or is reasonably expected to incur any Withdrawal Liability to any Multiemployer Plan, which could reasonably be expected to have a Material Adverse Effect.

(c) Neither the Company nor any ERISA Affiliate has been notified by the sponsor of a Multiemployer Plan that (x) such Multiemployer Plan is in reorganization or has been terminated, within the meaning of Title IV of ERISA or (y) such Multiemployer Plan is reasonably expected to be in reorganization or to be terminated, within the meaning of Title IV of ERISA.

Section 5.13. Private Offering by the Company.

Neither the Company nor anyone acting on its behalf has offered the Notes or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any person other than the Purchasers and not more than 100 other Institutional Investors, each of which has been offered the Notes at a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Notes to the registration requirements of Section 5 of the Securities Act or to the registration requirements of any securities or blue sky laws of any applicable jurisdiction.

Section 5.14. Use of Proceeds; Margin Regulations.

The Company shall use the proceeds of the sale of the Notes solely to pay amounts outstanding under the intercompany Loan Agreement referred to in paragraph 1 of Schedule 5.15. No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221) ("Regulation U"), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). The Company owns no margin stock. As used in this Section, the terms "margin stock" and "purpose of buying or carrying" shall have the meanings assigned to them in said Regulation U.

Section 5.15. Existing Indebtedness.

Set forth on Schedule 5.15 hereto is a complete and accurate list, as of the date of the Closing, of each item of Debt of the Company immediately before the occurrence of the Closing, showing as of such date the obligor and the principal amount outstanding thereunder.

Section 5.16. Foreign Assets Control Regulations, Etc.

(a) Neither the sale of the Notes by the Company hereunder nor its use of the proceeds thereof will violate the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto.

(b) The Company (i) is not a Person described or designated in the Specially Designated Nationals and Blocked Persons List of the Office of Foreign Assets Control or in Section 1 of the Anti-Terrorism Order or (ii) does not engage in any dealings or transactions with any such Person. The Company is in compliance, in all material respects, with the USA Patriot Act.

(c) No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in

violation of the United States Foreign Corrupt Practices Act of 1977, as amended, assuming in all cases that such Act applies to the Company.

Section 5.17. Regulatory Matters.

The Company is not, and will not be after giving effect to the offering of the Notes and the execution of this Agreement and the Notes, as applicable, subject to regulation under the Investment Company Act of 1940, as amended, PUHCA, the ICC Termination Act of 1995, as amended, or the Federal Power Act, as amended.

Section 5.18. Environmental Matters.

(a) Except, in each case, as would not reasonably be likely to have a Material Adverse Effect, the operations and properties of the Company comply in all respects with all applicable Environmental Laws and Environmental Permits, all past non-compliance with such Environmental Laws and Environmental Permits has been resolved without ongoing obligations or costs, and no circumstances exist that could be reasonably expected to (i) form the basis of an Environmental Action against the Company or any of its properties or (ii) cause any such property to be subject to any restrictions on ownership, occupancy, use or transferability under any Environmental Law.

(b) Except, in each case, as would not be reasonably expected to have a Material Adverse Effect, none of the properties currently or formerly owned or operated by the Company is listed or proposed for listing on the NPL or on the CERCLIS or any analogous foreign, state or local list or is adjacent to any such property; and Hazardous Materials have not been released, discharged or disposed of on any property currently or formerly owned or operated by the Company.

(c) All Hazardous Materials generated, used, treated, handled or stored at, or transported to or from, any property currently or formerly owned or operated by the Company have been, to the extent they are disposed of, disposed of in a manner that would not be reasonably expected to result in a Material Adverse Effect.

Section 5.19. Independent Accountants.

PricewaterhouseCoopers LLP, who have certified the financial statements of the Company for the fiscal year ended December 31, 2006, are independent public accountants with respect to the Company within the meaning of Rule 101 of the Code of Professional Conduct of the American Institute of Certified Public Accountants and its interpretations and rulings thereunder.

Section 5.20. Insurance.

As of the date of the Closing, the Company has insurance with responsible and reputable insurers covering its Properties against loss or damage of the kinds customarily insured against by companies similarly situated in the industry in which the Company conducts its business, in such amounts and with such deductibles as is customary for similarly situated companies; and the Company (i) has not received notice from any insurer or agent of such insurer that any material capital improvements or other material expenditures are required or necessary to be

made in order to continue such insurance or (ii) does not have any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage at commercially available rates from similar insurers as may be necessary to continue its business.

Section 5.21. Notes Pari Passu.

The Notes do and shall rank pari passu with the Company's unsecured, unsubordinated Debt (including, without limitation, Debt incurred in accordance with the terms of the New Credit Facility).

Section 5.22. Compliance with Rules, Regulations and Laws.

The Company is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

Section 6. REPRESENTATIONS OF THE PURCHASER.

Section 6.1. Purchase for Investment.

Each Purchaser severally represents that it is purchasing the Notes for its own account or for one or more separate accounts maintained by such Purchaser or for the account of one or more pension or trust funds and not with a view to the distribution thereof, provided that the disposition of such Purchaser's or their property shall at all times be within such Purchaser's or their control. Each Purchaser understands that the Notes have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by Law, and that the Company is not required to register the Notes.

Section 7. INFORMATION AS TO COMPANY.

Section 7.1. Financial and Business Information.

For so long as any Note is outstanding the Company shall deliver to each holder of Notes that is an Institutional Investor:

(a) *Quarterly Financials*. As soon as available and in any event within 45 days after the end of each of the first three quarters of each Fiscal Year, Consolidated balance sheets of the Company and its Subsidiaries as of the end of such quarter and Consolidated statements of income and a Consolidated statement of cash flows of the Company and its Subsidiaries for the period commencing at the end of the previous fiscal quarter and ending with the end of such fiscal quarter and Consolidated statements of income and a Consolidated statement of cash flows of the Company and its Subsidiaries for the period commencing at the end of the previous Fiscal Year and ending with the end of such quarter, setting forth in each case in comparative form the corresponding figures for the corresponding date or period of the preceding Fiscal Year, all in reasonable detail and duly certified (subject to normal year-end audit adjustments) by a Senior

Financial Officer of the Company as having been prepared in accordance with GAAP, and together with (i) a certificate of such officer stating that no Default or Event of Default has occurred and is continuing or, if a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof and the action that the Company has taken and proposes to take with respect thereto and (ii) a schedule, delivered and signed by such officer, of the computations used by the Company in determining compliance with the covenants contained in Section 10(i), provided that in the event of any change in generally accepted accounting principles used in the preparation of such financial statements, the Company shall also provide, if necessary for the determination of compliance with Section 10(i), a statement of reconciliation conforming such financial statements to GAAP;

(b) *Annual Financials*. As soon as available and in any event within 90 days after the end of each Fiscal Year, a copy of the annual audit report for such year for the Company and its Subsidiaries, including therein Consolidated balance sheets of the Company and its Subsidiaries as of the end of such Fiscal Year and Consolidated statements of income and a Consolidated statement of cash flows of the Company and its Subsidiaries for such Fiscal Year, setting forth, in each case, in comparative form the figures for the previous Fiscal Year, in each case accompanied by (i) an opinion of PricewaterhouseCoopers LLP or other independent public accountants of recognized national standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Company and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied; *provided* that in the event of any change in generally accepted accounting principles used in the preparation of such financial statements, the Company shall also provide, if necessary for the determination of compliance with Section 10(i), a statement of reconciliation conforming such financial statements to GAAP and (ii) a certificate of a Senior Financial Officer of the Company stating that no Default or Event of Default has occurred and is continuing or, if a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof and the action that the Company has taken and proposes to take with respect thereto and (iii) a schedule, delivered and signed by such officer, of the computations used in determining, as of the end of such Fiscal Year, compliance with the covenants contained in Section 10(i);

(c) *Securities Reports*. Promptly after the sending or filing thereof, copies of all regular, periodic and special reports, and all registration statements, that the Company or any of its Subsidiaries files with the SEC or any governmental authority that may be substituted therefor, or with any national securities exchange;

(d) *Notice of Default or Event of Default*. As soon as possible and in any event within five days after the Company first obtains knowledge of the occurrence of any Default or Event of Default, or any event, development or occurrence that could be reasonably expected to have a Material Adverse Effect, continuing on the date of such statement, a statement of an executive officer of the Company setting forth details of such Default or Event of Default, or event, development or occurrence and the action that the Company has taken and proposes to take with respect thereto;

(e) *ERISA Matters*. Promptly, and in any event within five days after a Responsible Officer becomes aware of any of the events described in Sections 11(j) and 11(k), a

written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto;

(f) *Notices from Governmental Authority*. Promptly after the commencement thereof, notice of all actions, suits, investigations, litigation and proceedings before any Governmental Authority affecting the Company or any of its Subsidiaries of the type described in Section 5.8; and

(g) *Requested Information*. Such other information respecting the business, financial condition, operations, or assets of the Company or any of its Subsidiaries as from time to time may be reasonably requested by any such holder of Notes.

Section 7.2. Officer's Certificate.

Each set of financial statements delivered to a holder of Notes pursuant to Section 7.1(a) or Section 7.1(b) shall be accompanied by the certificates of, and schedule signed by, a Senior Financial Officer referred to in Section 7.1(a) or Section 7.1(b), as the case may be.

Section 7.3. Visitation.

The Company shall permit the representatives of each holder of Notes that is an Institutional Investor:

(a) *No Default*. If no Default or Event of Default then exists, at the expense of such holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Subsidiaries with the Company's officers, and (with the consent of the Company, which consent will not be unreasonably withheld) its independent public accountants, and (with the consent of the Company, which consent will not be unreasonably withheld) to visit the other offices and properties of the Company or any of its Subsidiaries, all at such reasonable times and as often as may be reasonably requested in writing; and

(b) *Default*. If a Default or Event of Default then exists, at the expense of the Company, to visit and inspect any of the offices or properties of the Company or any of its Subsidiaries, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants and the Company shall be provided an opportunity to participate in such discussions with such accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries), all at such times and as often as may be requested.

Section 8. PAYMENT AND PREPAYMENT OF THE NOTES.

Section 8.1. Maturity.

As provided therein, the entire unpaid principal balance of the Notes shall be due and payable on the Stated Maturity Dates thereof.

Section 8.2. Optional Prepayments with Make-Whole Amount.

The Company may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, the Notes, in an amount not less than $10,000,000 of the aggregate principal amount of the Notes then outstanding in the case of a partial prepayment, at 100% of the principal amount so prepaid, and the Make-Whole Amount determined for the prepayment date with respect to such principal amount. The Company will give each holder of Notes written notice of each optional prepayment under this Section 8.2 not less than 30 days and not more than 60 days prior to the date fixed for such prepayment. Each such notice shall specify such date (which shall be a Business Day), the aggregate principal amount of the Notes to be prepaid on such date, the principal amount of each Note held by such holder to be prepaid (determined in accordance with Section 8.5), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid, and shall be accompanied by a certificate of a Senior Financial Officer as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two Business Days prior to such prepayment, the Company shall deliver to each holder of Notes a certificate of a Senior Financial Officer specifying the calculation of such Make-Whole Amount as of the specified prepayment date.

Section 8.3. Offer of Prepayment Upon Asset Sales.

(a) *Notice of Certain Dispositions*. The Company will, on or prior to five Business Days after the end of any consecutive 12-month period during which the Company or any of its Subsidiaries makes one or more Asset Sales pursuant to which the Company or any of its Subsidiaries receives Net Cash Proceeds in excess of 15% of Consolidated Net Tangible Assets (determined as of the end of the fiscal quarter of the Company immediately prior to the commencement of such 12-month period (and without deduction for such Asset Sales)), give written notice of such Asset Sales to each holder of Notes which notice shall contain and constitute an offer to prepay the Notes as described in paragraph (b) of this Section 8.3 and shall be accompanied by the certificate described in paragraph (e) of this Section 8.3.

(b) *Offer to Prepay Notes*. The offer to prepay the Notes contemplated by paragraph (a) of this Section 8.3 shall be an offer to prepay, in accordance with and subject to this Section 8.3, the Notes held by each holder on a date specified in such offer (the "Proposed Asset Sale Prepayment Date"). The Proposed Asset Sale Prepayment Date shall be not less than 30 days and not more than 60 days after the date of such offer (if the Proposed Asset Sale Prepayment Date shall not be specified in such offer, the Proposed Asset Sale Prepayment Date shall be the 60th day after the date of such offer).

(c) *Acceptance; Rejection*. A holder of Notes may accept the offer to prepay made pursuant to this Section 8.3 by causing a notice of such acceptance to be delivered to the Company at least five days prior to the Proposed Asset Sale Prepayment Date. A failure by a holder of Notes to reply to an offer to prepay made pursuant to this Section 8.3 shall be deemed to constitute a rejection of such offer by such holder.

(d) *Prepayment*. The principal amount of the Notes to be prepaid pursuant to this Section 8.3 shall be equal to the amount, if any, by which the aggregate of all Net Cash

Proceeds from all of the Asset Sales referred to in Section 8.3(a) exceeds 15% of Consolidated Net Tangible Assets (determined as of the end of the fiscal quarter of the Company immediately preceding the date of such Asset Sale and without deduction for such Asset Sales) (such Net Cash Proceeds being referred to herein as the "Excess Cash Proceeds") together with interest on such Notes accrued to the date of prepayment, but without any premium; *provided* that in connection with any Asset Sale that triggers a prepayment of the Term Advances under the New Credit Facility, the Excess Cash Proceeds shall be applied ratably to the Term Advances under the New Credit Facility and an offer to purchase the Notes pursuant to this Section 8.3 on the basis of their outstanding aggregate principal amounts. The prepayment of the Notes shall be made on the Proposed Asset Sale Prepayment Date; *provided further* that if any of the Excess Cash Proceeds that are applicable to the prepayment of the Notes are not so applied due to any rejections of such prepayment pursuant to Section 8.3(c), such Excess Cash Proceeds shall be applied to the term loans under the New Credit Facility.

(e) *Officer's Certificate*. Each offer to prepay the Notes pursuant to this Section 8.3 shall be accompanied by a certificate, executed by a Senior Financial Officer and dated the date of such offer, specifying: (i) the Proposed Asset Sale Prepayment Date; (ii) that such offer is made pursuant to this Section 8.3; (iii) the principal amount of each Note offered to be prepaid; (iv) the interest that would be due on each Note offered to be prepaid, accrued to the Proposed Asset Sale Prepayment Date; (v) that the conditions of this Section 8.3 have been fulfilled; and (vi) in reasonable detail, the nature of the Asset Sales with respect to which such prepayment is being made.

(f) *Deferral of Offer to Prepay*. Notwithstanding the foregoing provisions of Section 8.3, with respect to any Net Cash Proceeds realized or received with respect to any Asset Sale referred to in Section 8.3(a), if the Company shall deliver to the holders of Notes a certificate of a Senior Financial Officer to the effect that the Company and its Subsidiaries intend to reinvest such Net Cash Proceeds (or a portion thereof specified in such certificate) in its business (or enter into a binding commitment with respect to such reinvestment) within 365 days after receipt of such Net Cash Proceeds, then no prepayment need be offered by the Company pursuant to the foregoing provisions of this Section 8.3 in respect of such Net Cash Proceeds (or the portion of such Net Cash Proceeds specified in such certificate, if applicable), except that, if (x) any such Net Cash Proceeds have not been so applied by the end of such 365-day period or (y) the Company or any of its Subsidiaries have not entered into a binding commitment with respect to such application of such Net Cash Proceeds within such 365-day period and not reinvested in its business pursuant to such commitment within 180 days after entering into such commitment, the Company shall offer to prepay the Notes at that time in accordance with the foregoing provisions of this Section 8.3 in an amount equal to the amount of such Net Cash Proceeds that have not been so applied pro rata with the prepayment of the Term Advances under the New Credit Facility (if a prepayment is triggered under the New Credit Facility under such circumstances).

Section 8.4. Change of Control Put.

(a) *Notice of Change of Control or Control Event*. The Company will, within three Business Days after any Responsible Officer of the Company has knowledge of the occurrence of any Change of Control or Control Event, give written notice of such Change of Control or Control Event to each holder of Notes unless notice in respect of such Change of Control

(or the Change of Control contemplated by such Control Event) shall have been given pursuant to paragraph (b) of this Section 8.4. If a Change of Control has occurred, such notice shall contain and constitute an offer to prepay Notes as described in paragraph (c) of this Section 8.4 and shall be accompanied by the certificate described in paragraph (g) of this Section 8.4.

(b) *Condition to Company Action*. The Company will not take any action that consummates or finalizes a Change of Control unless at least 30 days prior to such action it shall have given to each holder of Notes written notice containing and constituting an offer to prepay Notes as described in paragraph (c) of this Section 8.4 (the "Company Offer Notice"), accompanied by the certificate described in paragraph (g) of this Section 8.4 of the consummation or finalization of such Change of Control.

(c) *Offer to Prepay Notes*. The offer to prepay Notes contemplated by paragraphs (a) and (b) of this Section 8.4 shall be an offer to prepay, in accordance with and subject to this Section 8.4, all, but not less than all, the Notes held by each holder on a date specified in such offer (the "Proposed Change of Control Prepayment Date"). The Proposed Change of Control Prepayment Date shall be not less than 30 days and not more than 60 days after the date of such offer (if the Proposed Change of Control Prepayment Date shall not be specified in such offer, the Proposed Change of Control Prepayment Date shall be the 60th day after the date of such offer).

(d) *Acceptance; Rejection*. A holder of Notes may accept the offer to prepay made pursuant to this Section 8.4 by causing a notice of such acceptance to be delivered to the Company not later than the twentieth day following delivery of the Company Offer Notice. A failure by a holder of Notes to reply to an offer by such date to prepay made pursuant to this Section 8.4 shall be deemed to constitute a rejection of such offer by such holder.

(e) *Prepayment*. Prepayment of the Notes to be prepaid pursuant to this Section 8.4 shall be at 100% of the principal amount of such Notes together with interest on such Notes accrued to the date of prepayment but without any premium. The prepayment shall be made on the Proposed Change of Control Prepayment Date except as provided in paragraph (f) of this Section 8.4.

(f) *Deferral pending Change of Control*. The obligation of the Company to prepay Notes pursuant to the offers required by paragraph (b) and accepted in accordance with paragraph (d) of this Section 8.4 is subject to the occurrence of the Change of Control in respect of which such offers and acceptances shall have been made. In the event that such Change of Control does not occur on the Proposed Change of Control Prepayment Date in respect thereof, the prepayment shall be deferred until and shall be made on the date on which such Change of Control occurs. The Company shall keep each holder of Notes reasonably and timely informed of (i) any such deferral of the date of prepayment, (ii) the date on which such Change of Control and prepayment are expected to occur, and (iii) any determination by the Company that efforts to effect such Change of Control have ceased or been abandoned (in which case the offers and acceptances made pursuant to this Section 8.4 in respect of such Change of Control shall be deemed rescinded).

(g) *Officer's Certificate*. Each offer to prepay the Notes pursuant to this Section 8.4 shall be accompanied by a certificate, executed by a Senior Financial Officer of the Company and dated the date of such offer, specifying: (i) the Proposed Change of Control Prepayment Date;

(ii) that such offer is made pursuant to this Section 8.4; (iii) the interest that would be due on each Note offered to be prepaid, accrued to the Proposed Change of Control Prepayment Date; and (iv) in reasonable detail, the nature and date or proposed date of the Change of Control.

Section 8.5. Allocation of Partial Prepayments.

In the case of each partial prepayment of the Notes, the principal amount of the Notes to be prepaid shall be allocated among all of the Notes at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment.

Section 8.6. Maturity; Surrender, Etc.

In the case of each prepayment of Notes pursuant to this Section 8, the principal amount of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment (which shall be a Business Day), together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount, if any. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest and Make-Whole Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Company and cancelled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

Section 8.7. Purchase of Notes.

The Company will not and will not permit any of its Subsidiaries to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding Notes except upon the payment or prepayment of the Notes in accordance with the terms of this Agreement and the Notes. The Company will promptly cancel all Notes acquired by it or any of its Subsidiaries pursuant to any payment or prepayment of Notes pursuant to any provision of this Agreement and no Notes may be issued in substitution or exchange for any such Notes.

Section 8.8. Make-Whole Amount.

"**Make-Whole Amount**" means, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Note over the amount of such Called Principal, provided that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make Whole Amount, the following terms have the following meanings:

"**Called Principal**" means, with respect to any Note, the principal of such Note that is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

"**Discounted Value**" means, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount

factor (applied on the same periodic basis as that on which interest on the Notes is payable) equal to the Reinvestment Yield with respect to such Called Principal.

"**Reinvestment Yield**" means, with respect to the Called Principal of any Note, 0.50% over the yield to maturity implied by (i) the yields reported as of 10:00 a.m. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page PX1" (or such other display as may replace Page PX1 on Bloomberg Financial Markets for the most recently issued actively traded on the run U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or (ii) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable (including by way of interpolation), the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date.

In the case of each determination under clause (i) or clause (ii), as the case may be, of the preceding paragraph, such implied yield will be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the applicable U.S. Treasury security with the maturity closest to and greater than such Remaining Average Life and (2) the applicable U.S. Treasury security with the maturity closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable Note.

"**Remaining Average Life**" means, with respect to any Called Principal, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

"**Remaining Scheduled Payments**" means, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date, provided that if such Settlement Date is not a date on which interest payments are due to be made under the terms of the Notes, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to Section 8.2 or Section 12.1.

"**Settlement Date**" means, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to Section 8.2 or has become or is

declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

Section 9. AFFIRMATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding, it shall:

(a) *Compliance with Laws, Etc.* Comply, and cause each of its Subsidiaries to comply, with all applicable laws, rules, regulations and orders (including, without limitation, the USA Patriot Act) of any Governmental Authority binding on it or any of its properties, except for such non-compliance as would not be reasonably expected to have a Material Adverse Effect.

(b) *Payment of Taxes, Etc.* Pay and discharge, and cause each of its Subsidiaries to pay and discharge, before the same shall become delinquent, (i) all material taxes, assessments and governmental charges or levies imposed upon it or upon its property and (ii) all material lawful claims that, if unpaid, might by law become a Lien upon its property; *provided, however*, that neither the Company nor any of its Subsidiaries shall be required to pay or discharge any such tax, assessment, charge or claim that is being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained, unless and until any Lien resulting therefrom attaches to its property and becomes enforceable.

(c) *Maintenance of Insurance.* Maintain, and cause each of its Subsidiaries to maintain insurance with responsible and reputable insurance companies or associations and such insurance shall be maintained in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Company or any of its Subsidiaries operates.

(d) *Preservation of Corporate Existence, Etc.* Except as expressly permitted by Section 10(d), preserve and maintain, and cause each of its Subsidiaries to preserve and maintain, its legal existence, and, except as would not be reasonably expected to have a Material Adverse Effect, its permits, licenses, approvals, privileges and franchises necessary to the normal conduct of its business.

(e) *Keeping of Books.* Keep, and cause each of its Subsidiaries to keep, proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Company and each Subsidiary of the Company to the extent necessary to prepare financial statements that are in accordance with GAAP in effect from time to time.

(f) *Maintenance of Properties, Etc.* Maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, all of its Properties that are used or useful in the conduct of its business in accordance with the Company's or its Subsidiaries' established maintenance plan as in effect from time to time consistent with past practices.

(g) *Transactions with Affiliates*. Conduct, and cause each of its Subsidiaries to conduct, all transactions otherwise permitted under the Loan Documents with any of their Affiliates on terms that are no less favorable to the Company or such Subsidiary than it would obtain in a comparable arm's-length transaction with a Person not an Affiliate.

(h) *Covenant Regarding Subsidiaries.* Upon the formation or acquisition by the Company or any of its Subsidiaries of any new direct or indirect Subsidiary that is organized under the laws of any political subdivision of the United States of America, within ten (10) days after such formation or acquisition, at the Company's election, either (i) at the Company's expense, cause such Subsidiary, and cause each direct and indirect parent of such Subsidiary (if it has not already done so), to duly execute and deliver to each holder of Notes a Subsidiary Guaranty, guaranteeing the obligations of the Company and the other Subsidiary Guarantors under the Loan Documents and to provide an opinion of outside counsel of nationally recognized standing to the effect that each Subsidiary Guaranty is a legal, valid and binding obligation of such Subsidiary Guarantor, enforceable against such Subsidiary Guarantor in accordance with its terms, or (ii) notify each holder of Notes that such Subsidiary shall not be a Subsidiary Guarantor hereunder (each such Subsidiary, a "Non-Guarantor Subsidiary") and shall cause such Subsidiary to be in compliance with Section 10(a) and Section 10(b) to the extent applicable to a Non-Guarantor Subsidiary in addition to any other provisions of the Loan Documents applicable to any Subsidiary of the Company.

Section 10. NEGATIVE COVENANTS.

The Company covenants that, so long as any of the Notes are outstanding, it will not and will cause its Subsidiaries not to, at any time:

(a) *Liens, Etc*. Create, incur, assume or suffer to exist any Lien on or with respect to any of its Properties of any character (including, without limitation, accounts) whether now owned or hereafter acquired, or sign or file, under the Uniform Commercial Code of any jurisdiction, a financing statement that names the Company or any of its Subsidiaries as debtor, or sign or suffer to exist any security agreement authorizing any secured party thereunder to file such financing statement, or assign any accounts or other right to receive income, except:

(i) Permitted Liens for the Company and its Subsidiaries;

(ii) Liens existing on the date hereof and described on Schedule 5.15 hereto and any replacement, extension or renewal of the indebtedness secured by such Lien; *provided* that the amount of Debt or other obligations secured thereby is not increased and is not secured by any additional assets;

(iii) Liens arising in connection with Capitalized Leases; *provided* that no such Lien shall extend to or cover any assets other than the assets subject to such Capitalized Leases and purchase money Liens upon or in real property, equipment or other fixed or capital assets acquired or held by the Company or any of its Subsidiaries to secure the purchase price of such property, equipment or other fixed or capital assets or to secure Debt incurred for the purpose of financing the acquisition, construction or improvement of any such property, equipment or other fixed or capital assets, or Liens existing on any such property, equipment or other fixed or capital assets at the time of acquisition, or extensions, renewals or replacements of any of the foregoing for the same or a lesser amount; *provided* that no such Lien shall extend to or cover any property other than the property, equipment or other fixed or capital assets being acquired, constructed or improved, and no such extension, renewal or replacement shall extend to or cover any

property not theretofore subject to the Lien being extended, renewed or replaced; and *provided*, that the aggregate principal amount of the Debt secured by Liens permitted by this clause (iii) shall not exceed $50,000,000 at any time outstanding; and

(iv) the Company or any of its Subsidiaries may create or assume any other Lien securing Debt if, after giving effect to such Debt, the Priority Obligations Amount does not exceed 15% of the Consolidated Net Tangible Assets; *provided*, *however*, that if the Company or any of the Subsidiaries cannot or does not wish to comply with the restrictions set forth in this Section 10(a)(iv), then, as conditions to such non-compliance, (x) (A) a Senior Financial Officer shall provide a certificate to all holders of Notes describing in reasonable detail such non-compliance and the Debt to be secured by such Lien (including details of such Lien) and (B) the Company and/or such Subsidiary shall make, or cause to be made, effective a provision whereby the Notes will be equally and ratably secured with the Debt with respect to which there is non-compliance with the limitation on Liens set forth in this Section 10(a)(iv), such security to be pursuant to an agreement reasonably satisfactory to the Required Holders and, in any such case, the holders of Notes shall have the benefit, to the fullest extent that, and with such priority as, the holders of the Notes may be entitled under applicable law, of an equitable Lien on such property and (y) the holders of the Notes shall have received a favorable opinion of counsel reasonably satisfactory to the Required Holders with respect thereto.

(b) *Debt of Non-Guarantor Subsidiaries*. In the case of any Non-Guarantor Subsidiary, create, incur, assume or suffer to exist any Debt, unless if after giving effect to such Debt, the Priority Obligations Amount does not exceed 15% of the Consolidated Net Tangible Assets.

(c) *Change in Nature of Business.* Make any material change in the nature of the Company's business as carried on at the date hereof.

(d) *Mergers, Etc.* Merge into or consolidate with any Person or permit any Person to merge into it, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or permit any of its Subsidiaries to do so, except that:

(i) any Subsidiary of the Company may merge into or consolidate with the Company; *provided* that the Company is the continuing or surviving Person;

(ii) any Subsidiary of the Company may merge into or consolidate with any other Subsidiary of the Company; *provided* that, in the case of any such merger or consolidation to which a Guarantor is a party, the Person formed by such merger or consolidation shall be a Guarantor;

(iii) any Subsidiary of the Company may be liquidated or dissolved if the Company determines in good faith that such liquidation or dissolution is in the best interest of the Company and is not materially disadvantageous to the holders of the Notes; and

(iv) any Subsidiary of the Company may merge into or consolidate with any other Person or permit any other Person to merge into or consolidate with it; *provided* that the Person surviving such merger shall be a Subsidiary of the Company;

provided, however, that in each case, immediately before and after giving effect thereto, no Default or Event of Default shall have occurred and be continuing.

(e) *Sales, Etc., of Assets.* Dispose of, in one transaction or in a series of transactions, all or substantially all of its assets during any Fiscal Year, except:

(i) in a transaction authorized by Section 10(d); and

(ii) Dispositions of assets among the Company and its Subsidiaries.

(f) *Restricted Payments.* Declare or pay any dividends, purchase, redeem, retire, defease or otherwise acquire for value any of its Equity Interests now or hereafter outstanding, return any capital to its stockholders, partners or members (or the equivalent Persons thereof) as such, make any distribution of assets, Equity Interests, obligations or securities to its stockholders, partners or members (or the equivalent Persons thereof) as such or make any payment on any Debt owing to its direct or indirect parent (or any equity owner thereof) or any Affiliate thereof (other than payments on the Notes and indebtedness under the New Credit Facility) (any of the foregoing, a "Restricted Payment"), or permit any of its Subsidiaries to do any of the foregoing, or permit any of its Subsidiaries to purchase, redeem, retire, defease or otherwise acquire for value any Equity Interests in the Company or to issue or sell any Equity Interests therein, except that, (i) any Subsidiaries may make Restricted Payments to the Company and (ii) so long as no Default or Event of Default has occurred and is continuing and the Company is in pro forma compliance with Section 10(i) after giving effect to such Restricted Payments, (A) the Company may make distributions to its direct parent or parents, (currently Energy Transfer Interstate Holdings, LLC, a Delaware limited liability company), and (B) the Company may repay any unsecured Debt owing to its direct or indirect parent (or any equity owner thereof) or any Affiliate thereof.

(g) *Sales and Leasebacks.* Enter into any arrangement with any Person (other than Subsidiaries of the Company) providing for the leasing by the Company or any Subsidiary of real or personal property that has been or is to be sold or transferred by the Company or such Subsidiary to such Person or to any other Person to whom funds have been or are to be advanced by such Person on the security of such property or rental obligations of the Company or such Subsidiary (each a "Sale Leaseback Transaction"), unless if after giving effect to such Sale Leaseback Transaction, the Priority Obligations Amount does not exceed 15% of the Consolidated Net Tangible Assets.

(h) *Use of Proceeds.* Use the proceeds of any Notes for any purpose other than for purposes set forth in Section 5.14.

(i) *Debt/Capitalization Ratio.* Permit the Debt/Capitalization Ratio as of the last day of any fiscal quarter of the Company to be greater than 65%.

(j) *Intercompany Debt*. Incur any Debt owed to the Company's direct or indirect parent (or any equity owner thereof) or any Affiliate thereof unless (A) such Debt is

unsecured, (B) both immediately before and immediately after the incurrence of such Debt the Company is in compliance with Section 9(g) and Section 10(i) and (C) the documentation evidencing such Debt specifically includes the subordination provisions, in enforceable form, set forth in Schedule C as to which provisions both the lender(s) of such Debt and the Company shall be bound. The Company will promptly after execution thereof provide a copy of such documentation to each holder of a Note. No amendment or modification to Schedule C shall be entered into without the prior written consent of the Company and the holders of more than 90% in principal amount of the Notes at the time outstanding (exclusive of Notes then owned by the Company or any Restricted Persons).

(k) *Terrorism Sanctions Regulations*. The Company will not and will not permit any Subsidiary to (a) become a Person described or designated in the Specially Designated Nationals and Blocked Persons List of the Office of Foreign Assets Control or in Section 1 of the Anti-Terrorism Order or (b) engage in any dealings or transactions with any such Person.

Section 11. EVENTS OF DEFAULT.

An "Event of Default" shall exist if any of the following conditions or events shall occur and be continuing:

(a) the Company defaults in the payment of any principal or Make-Whole Amount, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) the Company defaults in the payment of any interest on any Note for more than five Business Days after the same becomes due and payable; or

(c) any representation or warranty made by the Company or its Subsidiaries (or any of its officers or Responsible Officers) under or in connection with any Loan Document shall prove to have been incorrect in any material respect when made; or

(d) the Company shall fail to perform or observe any term, covenant or agreement contained in Section 7.1(d), Section 9(d) and Section 10; or

(e) the Company or its Subsidiaries shall fail to perform or observe any other term, covenant or agreement contained in any Loan Document on its part to be performed or observed if such failure shall remain unremedied for 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default and (ii) the Company receiving written notice of such default from any holder of a Note (any such written notice to be identified as a "notice of default" and to refer specifically to this Section 11(e)); or

(f) the Company or any of its Subsidiaries shall fail to pay any principal of, premium or interest on or any other amount payable in respect of any Debt (other than Debt of the type described in (i) clause (g) of the definition thereof or (ii) clause (h) of the definition thereof to the extent no demand for payment has been made on the Company or any of its Subsidiaries with respect to such Contingent Obligations) or any Hedge Agreements of the Company or such Subsidiary (as the case may be) that is outstanding in a principal amount (or, in the case of any Hedge Agreement, an Agreement Value) of at least $50,000,000 either individually or in the

aggregate for the Company and all such Subsidiaries (but excluding Debt outstanding under the Notes), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise but other than as a result of the consequences, if any, of a Change of Control under the New Credit Facility), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Debt or otherwise to cause, or to permit the holder thereof to cause, such Debt to mature (other than, in each case, as a result of the consequences, if any, of a Change of Control under the New Credit Facility); or any such Debt shall be declared to be due and payable or required to be prepaid or redeemed (other than a required prepayment or redemption under the New Credit Facility or under any "due on sale" provision of any secured Debt, except as a result of a default or event of default thereunder), purchased or defeased, or an offer to prepay, redeem, purchase or defease such Debt (unless required under the New Credit Facility or under any "due on sale" provision of any secured Debt, except as a result of a default or event of default thereunder) shall be required to be made, in each case prior to the stated maturity thereof (other than, in each case, as a result of the consequences, if any, of a Change of Control under the New Credit Facility); or

(g) (i) the Company, any Subsidiary of the Company or any ETP Holding Company shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or (ii) any proceeding shall be instituted by or against the Company, any Subsidiary of the Company or any ETP Holding Company seeking to adjudicate it as bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it) that is being diligently contested by it in good faith, either such proceeding shall remain undismissed or unstayed for a period of 60 days or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or any substantial part of its property) shall occur; or (iii) the Company, any Subsidiary of the Company or any ETP Holding Company shall take any corporate action to authorize any of the actions set forth above in this paragraph (g); or

(h) any judgments or orders, either individually or in the aggregate, for the payment of money in excess of $50,000,000 shall be rendered against the Company or any of its Subsidiaries and there shall be any period of 60 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; *provided*, *however*, that any such judgment or order shall not give rise to an Event of Default under this paragraph (h) if and for so long as (i) the amount of such judgment or order is covered by a valid and binding surety bond or policy of insurance between the defendant and the insurer and (ii) such insurer has been notified, and has not disputed the claim made for payment, of the amount of such judgment or order; or

(i) any Loan Document shall for any reason cease to be valid and binding on or enforceable against any party thereto, or any such party shall so state in writing; or

(j) any ERISA Event shall have occurred with respect to a Plan and the sum (determined as of the date of occurrence of such ERISA Event) of the Insufficiency of such Plan and the Insufficiency of any and all other Plans with respect to which an ERISA Event shall have occurred and then exist (or the liability of the Company or its Subsidiaries and the ERISA Affiliates related to such ERISA Event) could reasonably be expected to have a Material Adverse Effect and (i) demand by the PBGC is made against the Company or any of its Subsidiaries for the payment of such Insufficiency, and such Insufficiency is not satisfied within 60 days of such demand or, if earlier, the date stated in the demand or (ii) a lien is imposed on the Company or any of its Subsidiaries in connection with the failure to pay such Insufficiency, and such Insufficiency is not satisfied within 60 days; or

(k) the Company or any of its Subsidiaries or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, and as a result of such reorganization or termination the aggregate annual contributions of the Company and its Subsidiaries and the ERISA Affiliates to all Multiemployer Plans that are then in reorganization or being terminated have been or will be increased over the amounts contributed to such Multiemployer Plans for the plan years of such Multiemployer Plans immediately preceding the plan year in which such reorganization or termination occurs by an amount, which could reasonably be expected to have a Material Adverse Effect.

Section 12. REMEDIES ON DEFAULT, ETC.

Section 12.1. Acceleration.

(a) If an Event of Default with respect to the Company described in Section 11(g)(i) or Section 11(g)(ii) has occurred and is continuing, all the Notes then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, Required Holders may at any time at its or their option, by notice or notices to the Company, declare all the Notes then outstanding to be immediately due and payable.

(c) If any Event of Default described in Section 11(a) or Section 11(b) has occurred and is continuing, any holder or holders of Notes at the time outstanding affected by such Event of Default may at any time, at its or their option, by notice or notices to the Company, declare all the Notes held by it or them to be immediately due and payable.

Upon any Notes becoming due and payable under this Section 12.1, whether automatically or by declaration, such Notes will forthwith mature and the entire unpaid principal amount of such Notes, plus (i) all accrued and unpaid interest thereon (including, but not limited to, interest accrued thereon at the Default Rate) and (ii) the Make-Whole Amount determined in respect of such principal amount (to the full extent permitted by applicable Law), shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Company acknowledges, and the parties

hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by the Company (except as herein specifically provided for) and that the provision for payment of a Make-Whole Amount by the Company in the event that the Notes are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

Section 12.2. Other Remedies.

If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under Section 12.1, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by Law or otherwise.

Section 12.3. Rescission.

At any time after any Notes have been declared due and payable pursuant to Section 12.1(b) or Section 12.1(c), Required Holders, by written notice to the Company, may rescind and annul any such declaration and its consequences if (a) the Company has paid all overdue interest on the Notes, all principal of and Make-Whole Amount, if any, on any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and Make-Whole Amount, if any, and (to the extent permitted by applicable Law) any overdue interest in respect of the Notes, at the Default Rate, (b) neither the Company nor any other Person shall have paid any amounts which have become due solely by reason of such declaration, (c) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to Section 17, and (d) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

Section 12.4. No Waivers or Election of Remedies, Expenses, Etc.

No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder’s rights, powers or remedies. No right, power or remedy conferred by this Agreement or by any Note upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of the Company under Section 15, the Company will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this Section 12, including, without limitation, reasonable attorneys’ fees, expenses and disbursements.

Section 13. REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.

Section 13.1. Registration of Notes.

The Company shall keep at its principal executive office a register for the registration of transfers of Notes. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. Prior to due presentment for registration of transfer, the Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary. The Company shall give to any holder of a Note that is an Institutional Investor promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes.

Section 13.2. Transfer and Exchange of Notes.

Upon surrender of any Note to the Company at the address and to the attention of the designated officer (all as specified in Section 18(iii)), for registration of transfer or exchange (and in the case of a surrender for registration of transfer accompanied by a written instrument of transfer duly executed by the registered holder of such Note or such holder's attorney duly authorized in writing and accompanied by the relevant name, address and other information for notices of each transferee of such Note or part thereof), within ten Business Days thereafter, the Company shall execute and deliver, at the Company's expense (except as provided below), one or more new Notes (as requested by the holder thereof) in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such holder may request and shall be substantially in the form of the Note of such series originally issued hereunder. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than $100,000, *provided*, that if necessary to enable the registration of transfer by a holder of its entire holding of Notes, one Note may be in a denomination of less than $100,000, *provided*, *further*, that no holder shall transfer (other than to a Subsidiary or other Affiliate of such holder) Notes if such transfer causes such holder, its Subsidiaries and other Affiliates of such holder, taken as a whole, to own less than $1,000,000 in aggregate principal amount of Notes (unless such transfer causes such holder, its Subsidiaries and other Affiliates of such holder, taken as a whole, to Dispose of all the Notes owned by any of them).

Section 13.3. Replacement of Notes.

Upon receipt by the Company at the address and to the attention of the designated officer (all as specified in Section 18(iii)) of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (provided that if the holder of such Note is, or is a nominee for, an original Purchaser or another holder of a Note with a minimum net worth of at least $50,000,000 or a Qualified Institutional Buyer, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof,

within ten Business Days thereafter, the Company at its own expense shall execute and deliver, in lieu thereof, a new Note, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

Section 14. PAYMENTS ON NOTES.

Section 14.1. Place of Payment.

Subject to Section 14.2, payments of principal, Make-Whole Amount, if any, and interest becoming due and payable on the Notes shall be at such place the Company may at any time, by notice specify to each holder of a Note, so long as such place of payment shall be either the principal office of the Company in New York, New York or the principal office of a bank or trust company in New York, New York.

Section 14.2. Home Office Payment.

So long as any Purchaser or its nominee shall be the holder of any Note, and notwithstanding anything contained in Section 14.1 or in such Note to the contrary, the Company will pay all sums becoming due on such Note for principal, Make-Whole Amount, if any, and interest by the method and at the address specified for such purpose below such Purchaser's name in Schedule A, or by such other method or at such other address as such Purchaser shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any Note, such Purchaser shall surrender such Note for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to Section 14.1. Prior to any sale or other disposition of any Note held by a Purchaser or its nominee, such Purchaser will, at its election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Note to the Company in exchange for a new Note or Notes pursuant to Section 13.2. The Company will afford the benefits of this Section 14.2 to any Institutional Investor that is the direct or indirect transferee of any Note purchased by a Purchaser under this Agreement and that has made the same agreement relating to such Note as the Purchasers have made in this Section 14.2.

Section 15. EXPENSES, ETC.

Section 15.1. Transaction Expenses.

Whether or not the transactions contemplated hereby are consummated, the Company will pay all costs and expenses (including reasonable attorneys' fees of a special counsel and if reasonably required by the Required Holders, local or other counsel) incurred by the Purchasers and each other holder of a Note in connection with such transactions (including reasonable fees, charges and disbursements of the Purchasers' special counsel incurred on and after the date of the Closing with respect to preparation and delivery of closing document sets and binders for the transactions contemplated hereby to the holders of Notes and other Persons) and in connection with any amendments, waivers or consents under or in respect of this Agreement or the Notes (whether or not such amendment, waiver or consent becomes effective), including, without limitation: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement or the Notes or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement or the Notes, or by reason of being a holder of any Note, and (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any of its Subsidiaries or in connection with any work-out or restructuring of the transactions contemplated hereby and by the Notes. The Company will pay, and will save each Purchaser and each other holder of a Note harmless from, all claims in respect of any fees, costs or expenses, if any, of brokers and finders (other than those, if any, retained by a Purchaser or other holder in connection with its purchase of the Notes).

Section 15.2. Survival.

The obligations of the Company under this Section 15 will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of either this Agreement or the Notes, and the termination of this Agreement.

Section 16. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein shall survive the execution and delivery of this Agreement and the Notes, the purchase or transfer by any Purchaser of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent holder of a Note, regardless of any investigation made at any time by or on behalf of such Purchaser or any other holder of a Note. All statements contained in any certificate or other instrument delivered by or on behalf of the Company pursuant to this Agreement shall be deemed representations and warranties of the Company under this Agreement. Subject to the preceding sentence, this Agreement and the Notes embody the entire agreement and understanding between each Purchaser and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

Section 17. AMENDMENT AND WAIVER.

Section 17.1. Requirements.

This Agreement and the Notes may be amended, and the observance of any term hereof or thereof may be waived (either retroactively or prospectively), with (and only with) the written consent of the Company and the Required Holders, except that (a) no amendment or waiver of any of the provisions of Section 1, 2, 3, 4, 5, 6 or 21 hereof, or any defined term (as it is used therein), will be effective as to any holder of Notes unless consented to by such holder of Notes in writing, and (b) no such amendment or waiver may, without the written consent of the holder of each Note at the time outstanding affected thereby, (i) subject to the provisions of Section 12 relating to acceleration or rescission, change the amount or time of any prepayment or payment of principal of, or reduce the rate or change the time of payment or method of computation of interest or of the Make-Whole Amount on, the Notes, (ii) change the percentage of the principal amount of the Notes the holders of which are required to consent to any such amendment or waiver, or (iii) amend any of Sections 8, 11(a), 11(b), 12, 17 or 20.

Section 17.2. Solicitation of Holders of Notes.

(a) *Solicitation*. The Company will provide each holder of the Notes (irrespective of the amount of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent by the Company in respect of any of the provisions hereof or of the Notes. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this Section 17 to each holder of outstanding Notes promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Notes.

(b) *Payment*. The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security or provide other credit support, to any holder of Notes as consideration for or as an inducement to the entering into by any holder of Notes of any waiver or amendment of any of the terms and provisions hereof unless such remuneration is concurrently paid, or security is concurrently granted or other credit support concurrently provided, on the same terms, ratably to each holder of Notes then outstanding so long as such holder consents to such waiver or amendment.

(c) *Consent in Contemplation of Transfer*. Any consent made pursuant to this Section 17 by a holder of Notes that has transferred or has agreed to transfer its Notes to the Company or any Restricted Person and has provided or has agreed to provide such written consent as a condition to such transfer shall be void and of no force or effect except solely as to such holder, and any amendments effected or waivers granted or to be effected or granted that would not have been or would not be so effected or granted but for such consent (and the consents of all other holders of Notes that were acquired under the same or similar conditions) shall be void and of no force or effect except solely as to such holder.

Section 17.3. Binding Effect, Etc.

Any amendment or waiver consented to as provided in this Section 17 applies equally to all holders of Notes and is binding upon them and upon each future holder of any Note and upon the Company without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and the holder of any Note nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any holder of such Note. As used herein, the term "this Agreement" and references thereto shall mean this Agreement as it may from time to time be amended or supplemented.

Section 17.4. Notes Held by Company, Etc.

Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement or the Notes, or have directed the taking of any action provided herein or in the Notes to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by the Company or any Restricted Persons shall be deemed not to be outstanding.

Section 18. NOTICES.

All notices and communications provided for hereunder shall be in writing and sent (a) by telecopy if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(i) if to any Purchaser or its nominee, to such Purchaser or nominee at the address specified for such communications in Schedule A, or at such other address as such Purchaser or nominee shall have specified to the Company in writing,

(ii) if to any other holder of any Note, to such holder at such address as such other holder shall have specified to the Company in writing, or

(iii) if to the Company, to the Company at its address set forth at the beginning hereof to the attention of President and Chief Operating Officer, or at such other address as the Company shall have specified to the holder of each Note in writing.

Notices under this Section 18 will be deemed given only when actually received.

Section 19. REPRODUCTION OF DOCUMENTS.

This Agreement and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by any Purchaser at the Closing (except the Notes themselves), and (c) financial statements,

certificates and other information previously or hereafter furnished to any Purchaser, may be reproduced by such Purchaser by any photographic, photostatic, electronic, digital, or other similar process and such Purchaser may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable Law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by such Purchaser in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Section 19 shall not prohibit the Company or any other holder of Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

Section 20. CONFIDENTIAL INFORMATION.

For the purposes of this Section 20, "Confidential Information" means information delivered to any Purchaser by or on behalf of the Company or any of its Subsidiaries in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature when received by such Purchaser as being confidential information of the Company or such Subsidiary, provided that such term does not include information that (a) was publicly known or otherwise known to such Purchaser prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by such Purchaser or any person acting on such Purchaser's behalf, (c) otherwise becomes known to such Purchaser other than through disclosure by the Company or any of its Subsidiaries or (d) constitutes financial statements delivered to such Purchaser under Section 7.1 that are otherwise publicly available. Each Purchaser will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by such Purchaser in good faith to protect confidential information of third parties delivered to such Purchaser, provided that such Purchaser may deliver or disclose Confidential Information to (i) its directors, officers, employees, agents, attorneys and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by its Notes), (ii) its financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this Section 20, (iii) any other holder of any Note, (iv) any Institutional Investor to which it sells or offers to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (v) any Person from which it offers to purchase any security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (vi) any federal or state regulatory authority having jurisdiction over such Purchaser, (vii) the NAIC or the SVO or, in each case, any similar organization, or any nationally recognized rating agency that requires access to information about such Purchaser's investment portfolio, or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to such Purchaser, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which such Purchaser is a party or (z) if an Event of Default has occurred and is continuing, to the extent such Purchaser may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under such Purchaser's Notes and this Agreement. Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and

to be entitled to the benefits of this Section 20 as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any holder of a Note of information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee), such holder will enter into an agreement with the Company embodying the provisions of this Section 20.

Section 21. SUBSTITUTION OF PURCHASER.

Each Purchaser shall have the right to substitute any one of its Affiliates as the purchaser of the Notes that it has agreed to purchase hereunder, by written notice to the Company, which notice shall be signed by both such Purchaser and such Affiliate, shall contain such Affiliate's agreement to be bound by this Agreement and shall contain a confirmation by such Affiliate of the accuracy with respect to it of the representations set forth in Section 6. Upon receipt of such notice, any reference to such Purchaser in this Agreement (other than in this Section 21), shall be deemed to refer to such Affiliate in lieu of such original Purchaser. In the event that such Affiliate is so substituted as a Purchaser hereunder and such Affiliate thereafter transfers to such original Purchaser all of the Notes then held by such Affiliate, upon receipt by the Company of notice of such transfer, any reference to such Affiliate as a "Purchaser" in this Agreement (other than in this Section 21), shall no longer be deemed to refer to such Affiliate, but shall refer to such original Purchaser, and such original Purchaser shall again have all the rights of an original holder of the Notes under this Agreement.

Section 22. MISCELLANEOUS.

Section 22.1. Successors and Assigns.

All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not.

Section 22.2. Payments Due on Non-Business Days.

Anything in this Agreement or the Notes to the contrary notwithstanding (but without limiting the requirement in Section 8.6 that the notice of any optional prepayment specify a Business Day as the date fixed for such prepayment), any payment of principal of or Make-Whole Amount or interest on any Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day; *provided* that if the maturity date of any Note is a date other than a Business Day, the payment otherwise due on such maturity date shall be made on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable on such next succeeding Business Day.

Section 22.3. Accounting Terms.

All accounting terms used herein which are not expressly defined in this Agreement have the meanings respectively given to them in accordance with GAAP. Except as otherwise specifically provided herein, (i) all computations made pursuant to this Agreement shall be made

in accordance with GAAP, and (ii) all financial statements shall be prepared in accordance with GAAP.

Section 22.4. Severability.

Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by Law) not invalidate or render unenforceable such provision in any other jurisdiction.

Section 22.5. Construction, Etc.

Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

For the avoidance of doubt, all Schedules and Exhibits attached to this Agreement shall be deemed to be a part hereof.

Section 22.6. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

Section 22.7. Governing Law.

This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York.

Section 22.8. Jurisdiction and Process; Waiver of Jury Trial.

(a) The Company and each of the Purchasers irrevocably submits to the non-exclusive jurisdiction of any New York State or federal court sitting in the Borough of Manhattan, The City of New York, over any suit, action or proceeding arising out of or relating to this Agreement or the Notes. To the fullest extent permitted by applicable Law, the Company and each of the Purchasers, irrevocably waives and agrees not to assert, by way of motion, as a defense or otherwise, any claim that it is not subject to the jurisdiction of any such court, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

(b) The Company consents to process being served by or on behalf of any holder of Notes in any suit, action or proceeding of the nature referred to in Section 22.8(a) by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, return receipt requested, to it at its address specified in Section 18 or at such other address of which such holder shall then have been notified pursuant to said Section. Each Purchaser consents to process being served by or on behalf of the Company in any suit, action or proceeding of the nature referred to in Section 22.8(a) by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, return receipt requested, to it at its address specified in Section 18 or at such other address of which the Company shall then have been notified pursuant to said Section. The Company and each of the Purchasers agree that such respective service upon receipt (i) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding and (ii) shall, to the fullest extent permitted by applicable Law, be taken and held to be valid personal service upon and personal delivery to it. Notices hereunder shall be conclusively presumed received as evidenced by a delivery receipt furnished by the United States Postal Service or any reputable commercial delivery service.

(c) Nothing in this Section 22.8 shall affect the right of any holder of a Note to serve process in any manner permitted by Law, or limit any right that the holders of any of the Notes may have to bring proceedings against the Company in the courts of any appropriate jurisdiction or to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction.

(d) The parties hereto hereby waive trial by jury in any action brought on or with respect to this Agreement, the Notes or any other document executed in connection herewith or therewith.

Section 22.9. For Georgia Investors.

These Notes will be issued and sold in reliance on paragraph 13 of Code Section 10-5-9 of the “Georgia Securities Act of 1973,” and may not be sold or transferred except in a transaction which is exempt under such Act or pursuant to an effective registration under such Act.

[*Remainder of Page Intentionally Left Blank*]

If you are in agreement with the foregoing, please sign the form of agreement on a counterpart of this Agreement and return it to the Company, whereupon this Agreement shall become a binding agreement between you and the Company.

Very truly yours,

TRANSWESTERN PIPELINE COMPANY, LLC

By: /s/ Jim Holotik
Jim Holotik, President

This Agreement is hereby
accepted and agreed to
as of the date hereof.

METROPOLITAN LIFE INSURANCE COMPANY

By: /s/ Judith A. Gulotta
Name: Judith a. Gulotta
Title: Director

**METLIFE INSURANCE COMPANY
OF CONNECTICUT**

**METLIFE LIFE AND ANNUITY COMPANY
OF CONNECTICUT**

By: Metropolitan Life Insurance Company, Investment Manager

By: /s/ Judith A. Gulotta
Name: Judith a. Gulotta
Title: Director

This Agreement is hereby
accepted and agreed to
as of the date hereof.

ING LIFE INSURANCE AND ANNUITY COMPANY

By: ING Investment Management LLC, as Agent

By: /s/ Christopher P. Lyons
Name: Christopher P. Lyons
Title: Senior Vice President

ING USA ANNUITY
AND LIFE INSURANCE COMPANY

By: ING Investment Management LLC, as Agent

By: /s/ Christopher P. Lyons
Name: Christopher P. Lyons
Title: Senior Vice President

RELIASTAR LIFE INSURANCE COMPANY

By: ING Investment Management LLC, as Agent

By: /s/ Christopher P. Lyons
Name: Christopher P. Lyons
Title: Senior Vice President

This Agreement is hereby
accepted and agreed to
as of the date hereof.

THE NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY

By: /s/ Howard Stern
Name: Howard Stern
Title: Its Authorized Representative

This Agreement is hereby
accepted and agreed to
as of the date hereof.

AMERICAN GENERAL
LIFE INSURANCE COMPANY

By: AIG Global Investment Corp.,
investment adviser

By: /s/ Peter DeFazio
Name: Peter DeFazio
Title: Vice President

This Agreement is hereby
accepted and agreed to
as of the date hereof.

AXA EQUITABLE LIFE INSURANCE COMPANY

By: /s/ Amy Judd
Name: Amy Judd
Title: Investment Officer

MONY LIFE INSURANCE COMPANY OF AMERICA

By: /s/ Amy Judd
Name: Amy Judd
Title: Investment Officer

This Agreement is hereby
accepted and agreed to
as of the date hereof.

GENWORTH LIFE AND ANNUITY INSURANCE COMPANY

By: /s/ John R. Endres
Name: John R. Endres
Title: Investment Officer

GENWORTH LIFE INSURANCE COMPANY

By: /s/ John R. Endres
Name: John R. Endres
Title: Investment Officer

UNION FIDELITY LIFE INSURANCE COMPANY

By: GE ASSET MANAGEMENT INCORPORATED,
its Investment Manager

By: GENWORTH FINANCIAL INVESTMENT
MANAGEMENT, LLC, its Investment Advisor

By: /s/ John R. Endres
Name: John R. Endres
Title: Assistant Vice President

This Agreement is hereby
accepted and agreed to
as of the date hereof.

HARTFORD LIFE INSURANCE COMPANY

By: Hartford Investment Management Company,
Its Agent and Attorney-in-Fact

By: /s/ Matthew J. Poznar
Name: Matthew J. Poznar
Title: Vice President

HARTFORD ACCIDENT
AND INDEMNITY COMPANY

By: Hartford Investment Management Company,
Its Agent and Attorney-in-Fact

By: /s/ Matthew J. Poznar
Name: Matthew J. Poznar
Title: Vice President

This Agreement is hereby
accepted and agreed to
as of the date hereof.

TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA

By: /s/ Ho Young Lee
Name: Ho Young Lee
Title: Director

This Agreement is hereby
accepted and agreed to
as of the date hereof.

JACKSON NATIONAL LIFE INSURANCE COMPANY

By: PPM America, Inc., as attorney in fact, on behalf of Jackson National Life Insurance Company

By: /s/ Mark Staub
Name: Mark Staub
Title: Vice President

This Agreement is hereby
accepted and agreed to
as of the date hereof.

JOHN HANCOCK LIFE INSURANCE COMPANY

By: /s/ Gerald C. Hanrahan
Name: Gerald C. Hanrahan
Title: Managing Director

JOHN HANCOCK LIFE INSURANCE COMPANY (U.S.A.)

By: /s/ Gerald C. Hanrahan
Name: Gerald C. Hanrahan
Title: Authorized Signatory

This Agreement is hereby
accepted and agreed to
as of the date hereof.

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY

By: Babson Capital Management LLC,
as Investment Adviser

By: /s/ Thomas P. Shea
Name: Thomas P. Shea
Title: Managing Director

MASSMUTUAL ASIA LIMITED

By: Babson Capital Management LLC,
as Investment Adviser

By: /s/ Thomas P. Shea
Name: Thomas P. Shea
Title: Managing Director

MML BAY STATE LIFE INSURANCE COMPANY

By: Babson Capital Management LLC,
as Investment Sub-Adviser

By: /s/ Thomas P. Shea
Name: Thomas P. Shea
Title: Managing Director

This Agreement is hereby
accepted and agreed to
as of the date hereof.

CUNA MUTUAL INSURANCE SOCIETY

By: MEMBERS Capital Advisors, Inc.,
acting as Investment Advisor

By: /s/ David Patch
Name: David Patch
Title: Director, Private Placements

This Agreement is hereby
accepted and agreed to
as of the date hereof.

SOUTHERN FARM BUREAU LIFE INSURANCE COMPANY

By: /s/ Carol Robertson
Name: Carol Robertson, CFA
Title: Senior Portfolio Manager

This Agreement is hereby
accepted and agreed to
as of the date hereof.

**ALLIANZ LIFE INSURANCE COMPANY
OF NORTH AMERICA**

By: Allianz of America, Inc. as the authorized signatory and investment manager

By: /s/ Gary Brown
Name: Gary Brown
Title: Assistant Treasurer

This Agreement is hereby
accepted and agreed to
as of the date hereof.

INDIANAPOLIS LIFE INSURANCE COMPANY

By: Aviva Capital Management, Inc.,
its authorized attorney-in-fact

By: /s/ Roger D. Fors
Name: Roger D. Fors
Title: VP – Private Placements

AMERUS LIFE INSURANCE COMPANY

By: Aviva Capital Management, Inc.,
its authorized attorney-in-fact

By: /s/ Roger D. Fors
Name: Roger D. Fors
Title: VP – Private Placements

This Agreement is hereby
accepted and agreed to
as of the date hereof.

**THE STATE LIFE INSURANCE COMPANY
BY AMERICAN UNITED LIE INSURANCE
COMPANY IT AGENT**

By: /s/ Kent R. Adams
Name: Kent R. Adams
Title: V.P. Fixed Income Securities

**AMERICAN UNITED
LIFE INSURANCE COMPANY**

By: /s/ Kent R. Adams
Name: Kent R. Adams
Title: V.P. Fixed Income Securities

**PIONEER MUTUAL LIFE INSURANCE COMPANY BY
AMERICAN UNITED LIFE
INSURANCE COMPANY IT AGENT**

By: /s/ Kent R. Adams
Name: Kent R. Adams
Title: V.P. Fixed Income Securities

This Agreement is hereby
accepted and agreed to
as of the date hereof.

USAA LIFE INSURANCE COMPANY

By: /s/ John C. Spear
Name: John C. Spear
Title: VP Insurance Portfolios

This Agreement is hereby
accepted and agreed to
as of the date hereof.

**LIFE INSURANCE COMPANY
OF THE SOUTHWEST**

By: /s/ R. Scott Higgins
Name: R. Scott Higgins
Title: Vice President, Sentinel Asset Management

NATIONAL LIFE INSURANCE COMPANY

By: /s/ R. Scott Higgins
Name: R. Scott Higgins
Title: Vice President, Sentinel Asset Management

This Agreement is hereby
accepted and agreed to
as of the date hereof.

MODERN WOODMEN OF AMERICA

By: /s/ G.P. Odean
Name: G.P. Odean
Title: National Secretary

This Agreement is hereby
accepted and agreed to
as of the date hereof.

NATIONAL GUARDIAN
LIFE INSURANCE COMPANY

By: /s/ R.A. Mucci
Name: R.A. Mucci
Title: Senior Vice President & Treasurer

This Agreement is hereby
accepted and agreed to
as of the date hereof.

PHOENIX LIFE INSURANCE COMPANY

By: /s/ John H. Beers
Name: John H. Beers
Title: Vice President

This Agreement is hereby
accepted and agreed to
as of the date hereof.

COUNTRY LIFE INSURANCE COMPANY

By: /s/ John Jacobs
Name: John Jacobs
Title: Director – Fixed Income

[***Actual Schedule A will be attached***]

INFORMATION RELATING TO PURCHASERS

NAME AND ADDRESS OF PURCHASER:	**PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED:**
	SERIES 1 $
	SERIES 2 $
	SERIES 3 $

(1) All payments by wire transfer of immediately available funds to:

with sufficient information to identify the source and application of such funds.

(2) All notices of payments and written confirmations of such wire transfers:

(3) All other communications:

(4) Tax Identification Number:

DEFINED TERMS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

"**Affiliate**" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person. For purposes of this definition, the term "control" (including the terms "controlling", "controlled by" and "under common control with") of a Person means the possession, direct or indirect of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of Voting Interests, by contract or otherwise.

"**Agreement**" means that certain Note Purchase Agreement, dated as of May 24, 2007 between the Company and the Purchasers.

"**Agreement Value**" means, for each Hedge Agreement, on any date of determination, an amount equal to all obligations thereunder (including the amount of any termination payments that would be payable on such date if the Hedge Agreement were terminated).

"**Anti-Terrorism Order**" means Executive Order No. 13,224 of September 24, 2001, Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism, 66 U.S. Fed. Reg. 49, 079 (2001), as amended.

"**Asset Sale**" means a sale, lease, transfer or other deposition by the Company or any of its Subsidiaries to any Person (other than the Company or any of its Subsidiaries), in one transaction or in a series of transactions, of any of its assets, other than (a) the sale of pipeline capacity or natural gas or inventory in the ordinary course of business, (b) the sale of surplus, obsolete or worn-out equipment, vehicles or other property in the ordinary course of business, (c) the lease or sublease of any property in the ordinary course of business, (d) the voluntary termination of any Hedge Agreement, (e) the sale or discount of accounts receivable in the ordinary course of business in connection with the compromise or collection thereof, and (f) the disposition of all or substantially all of its assets in a manner permitted pursuant to Section 10(e)(i) or Section 10(e)(ii).

"**Attributable Indebtedness**" means, with respect to any Sale Leaseback Transaction, the present value (discounted at the rate set forth or implicit in the terms of the lease included in such Sale Leaseback Transaction) of the total obligations of the lessee for rental payments (other than amounts required to be paid on account of taxes, maintenance, repairs, insurance, assessments, utilities, operating and labor costs and other items that do not constitute payments for property rights) during the remaining term of the lease included in such Sale Leaseback Transaction (including any period for which such lease has been extended). In the case of any lease that is terminable by the lessee upon payment of a penalty, the Attributable Indebtedness shall be the lesser of the Attributable Indebtedness determined assuming termination on the first date such lease may be terminated (in which case the Attributable Indebtedness shall also include the amount of the penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date on which it may be so terminated) or the Attributable Indebtedness determined assuming no such termination.

"**Business Day**" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed.

"**Capitalized Leases**" means, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

"**CERCLA**" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended from time to time.

"**CERCLIS**" means the Comprehensive Environmental Response, Compensation and Liability Information System maintained by the U.S. Environmental Protection Agency.

"**Change of Control**" means the occurrence of any of the following events: (a) the failure of one or more ETP Entities to directly own, individually or collectively, more than 50% of the Equity Interests in the Company, (b) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person (or syndicate or group of Persons which are deemed a "person" for the purposes of Section 13(d) and Section 14(d)(2) of the Securities Exchange Act of 1934, as amended) of more of the Equity Interests in Energy Transfer Interstate Holdings, LLC than the ETP Entities, or (c) the failure Energy Transfer Interstate Holdings, LLC to own, directly or indirectly, 100% of the Equity Interests in the Company.

"**Closing**" has the meaning assigned to that term in Section 3 of this Agreement.

"**Code**" means the United States Internal Revenue Code of 1986, as amended from time to time.

"**Company**" has the meaning assigned to that term in the introductory paragraph of this Agreement.

"**Company Offer Notice**" has the meaning assigned to that term in Section 8.4(b) of this Agreement.

"**Confidential Information**" has the meaning assigned to that term in Section 20 of this Agreement.

"**Consolidated**" refers to the consolidation of accounts in accordance with GAAP.

"**Consolidated Net Tangible Assets**" means, at any date of determination, the total amount of assets of the Company and its Subsidiaries after deducting therefrom:

(a) all current liabilities (excluding (i) any current liabilities that by their terms are extendable or renewable at the option of the obligor thereon to a time more than 12 months after the time as of which the amount thereof is being computed, and (ii) current maturities of Long-Term Debt); and

(b) the value (net of any applicable reserves) of all goodwill, trade names, trademarks, patents and other like intangible assets,

all as set forth on the Consolidated balance sheet of the Company and its Subsidiaries for the Company's most recently completed fiscal quarter, prepared in accordance with GAAP.

"**Consolidated Total Capitalization**" means, at any time, an amount equal to the sum of (a) Consolidated Debt for Borrowed Money of the Company and its Subsidiaries at such time *plus* (b) an amount equal to the sum of all amounts which, in accordance with GAAP, would be included under members' equity on a Consolidated balance sheet of the Company and its Subsidiaries.

"**Contingent Obligation**" means, with respect to any Person, any Obligation or arrangement of such Person to guarantee or intended to guarantee any Debt, leases, dividends or other payment Obligations ("**primary obligations**") of any other Person (the "**primary obligor**") in any manner, whether directly or indirectly, including, without limitation, (a) the direct or indirect guarantee, endorsement (other than for collection or deposit in the ordinary course of business), co-making, discounting with recourse or sale with recourse by such Person of the Obligation of a primary obligor, (b) the Obligation to make take-or-pay or similar payments, if required, regardless of nonperformance by any other party or parties to an agreement (other than in the ordinary course of business and not in connection with a financing transaction of such Person) or (c) any Obligation of such Person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (A) for the purchase or payment of any such primary obligation or (B) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, assets, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the holder of such primary obligation against loss in respect thereof. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation is made (or, if less, the maximum amount of such primary obligation for which such Person may be liable pursuant to the terms of the instrument evidencing such Contingent Obligation) or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder), as determined by such Person in good faith.

"**Control Event**" means:

(i) the execution by the Company, any of the ETP Entities or any other Person (which has notified the Company) of any agreement or letter of intent with respect to any proposed transaction or event or series of transactions or events which, individually or in the aggregate, may reasonably be expected to result in a Change of Control,

(ii) the execution of any written agreement which, when fully performed by the parties thereto, would result in a Change of Control, or

(iii) the making of any written offer by any person (as such term is used in section 13(d) and section 14(d)(2) of the Exchange Act as in effect on the date of a

Closing) or related persons constituting a group (as such term is used in Rule 13d-5 under the Exchange Act as in effect on the date of a Closing) to the holders of the common stock of the Company, which offer, if accepted by the requisite number of holders, would result in a Change of Control; provided, however, that this clause (iii) shall only be applicable when the Company has a class of equity securities registered pursuant to Section 12 of the Exchange Act.

"**Debt**" of any Person means, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all Obligations of such Person for the deferred purchase price of property or services (other than trade payables incurred in the ordinary course of such Person's business), (c) all Obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all Obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all Obligations of such Person as lessee under Capitalized Leases, (f) all Obligations of such Person under acceptance, letters of credit or other similar arrangements or credit support facilities, (g) all Obligations of such Person to purchase, redeem, retire, defease or otherwise make any payment in respect of any Equity Interests in such Person or any other Person or any warrants, rights or options to acquire such Equity Interests, valued, in the case of Redeemable Preferred Interests, at the greater of its voluntary or involuntary liquidation preference *plus* accrued and unpaid dividends, (h) all Contingent Obligations of such Person in respect of the types of Debt described in clauses (a) through (g) above and (i) all indebtedness and other payment Obligations referred to in clauses (a) through (h) above of another Person secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien on property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such indebtedness or other payment Obligations.

"**Debt for Borrowed Money**" of any Person means, at any date of determination, all Debt of such Person (other than Debt referred to in clause (g) of the definition thereof).

"**Debt/Capitalization Ratio**" means, as of any date of determination, the ratio of (a) the aggregate amount of outstanding Consolidated Debt for Borrowed Money of the Company and its Subsidiaries as of such date to (b) Consolidated Total Capitalization of the Company and its Subsidiaries as of such date.

"**Default**" means the occurrence and continuance of an event, which with the giving of notice or lapse of time, or both, would constitute an Event of Default.

"**Default Rate**" means that rate of interest that is the greater of (i) 2.0% per annum above the rate of interest stated in clause (a) of the first paragraph of the Notes or (ii) 2.0% over the rate of interest publicly announced by JPMorgan Chase Bank in New York, New York, as its "base" or "prime" rate.

"**Disclosure Documents**" has the meaning assigned to that term in Section 5.3 of this Agreement.

"**Dispose**" or "**Disposition**" means a sale, lease, transfer or other disposition.

"**Environmental Action**" means any action, suit, demand, demand letter, claim, notice of non-compliance or violation, notice of liability or potential liability, investigation, proceeding, consent order or consent agreement relating in any way to any Environmental Law, any Environmental Permit or Hazardous Material or arising from alleged injury or threat to health, safety or the environment, including, without limitation, (a) by any Governmental Authority for enforcement, cleanup, removal, response, remedial or other actions or damages and (b) by any Governmental Authority or third party for damages, contribution, indemnification, cost recovery, compensation or injunctive relief.

"**Environmental Law**" means any Federal, state, local or foreign statute, law, ordinance, rule, regulation, code, order, writ, judgment, injunction, decree or judicial or agency interpretation, policy or guidance relating to pollution or protection of the environment, health, safety or natural resources, including, without limitation, those relating to the use, handling, transportation, treatment, storage, disposal, release or discharge of Hazardous Materials.

"**Environmental Permit**" means any permit, approval, identification number, license or other authorization required under any Environmental Law.

"**Equity Interests**" means, with respect to any Person, shares of capital stock of (or other ownership or profit interests in) such Person, warrants, options or other rights for the purchase or other acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or other acquisition from such Person of such shares (or such other interests), and other ownership or profit interests in such Person (including, without limitation, partnership, member or trust interests therein), whether voting or non-voting, and whether or not such shares, warrants, options, rights or other interests are authorized or otherwise existing on any date of determination.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"**ERISA Affiliate**" means any Person that for purposes of Title IV of ERISA is a member of the controlled group of the Company or any of its Subsidiaries, or under common control with the Company or any of its Subsidiaries, within the meaning of Section 414(b), (c), (m), or (o) of the Internal Revenue Code.

"**ERISA Event**" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30 day notice period is waived); (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Internal Revenue Code or Section 302 of ERISA), which remains unsatisfied; (c) the filing pursuant to Section 412(d) of the Internal Revenue Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan which is pending; (d) the incurrence by the Company or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the

termination of any Plan; (e) the receipt by the Company or any ERISA Affiliate from the PBGC or a plan administrator of any notice of proceedings to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by the Company or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by the Company or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from the Company or any ERISA Affiliate of any notice, imposing Withdrawal Liability or determining that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"**ETP**" means Energy Transfer Partners, L.P., a Delaware limited partnership.

"**ETP Entities**" means, collectively, ETP and its Affiliates.

"**ETP Holdco**" means Energy Transfer Interstate Holdings, LLC, a Delaware limited liability company.

"**ETP Holding Company**" means any direct or indirect Subsidiary of ETP or its parent company that directly or indirectly holds more than 50% of the Equity Interests in the Company.

"**Event of Default**" has the meaning assigned to that term in Section 11 of this Agreement.

"**Excess Cash Proceeds**" has the meaning assigned to that term in Section 8.3(d) of this Agreement.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"**Existing NPA**" has the meaning assigned to that term in Schedule 5.15 of this Agreement.

"**Fiscal Year**" means (a) a fiscal year of the Company and its Consolidated Subsidiaries ending on December 31, or (b) if the Company notifies the Holders in writing that the Company has changed its fiscal year to August 31, thereafter a fiscal year of the Company and its Consolidated Subsidiaries ending on August 31.

"**GAAP**" means those generally accepted accounting principles as in effect from time to time in the United States of America.

"**Governmental Authority**" means any nation or government, any state, province, city, municipal entity or other political subdivision thereof, and any governmental, executive, legislative, judicial, administrative or regulatory agency, department, authority, instrumentality, commission, board, bureau or similar body, whether federal, state, provincial, territorial, local or foreign, exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"**Governmental Authorization**" means any authorization, approval, consent, franchise, license, covenant, order, ruling, permit, certification, exemption, notice, declaration or similar

right, undertaking or other action of, to or by, or any filing, qualification or registration with, any Governmental Authority.

"**Guarantor**" means any Subsidiary of the Company that enters into a Subsidiary Guaranty.

"**Hazardous Materials**" means (a) petroleum or petroleum products, by-products or breakdown products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls and radon gas and (b) any other chemicals, materials or substances designated, classified or regulated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

"**Hedge Agreements**" means interest rate, commodity or currency swap, cap or collar agreements, future or option contracts and other hedging agreements (including, without limitation, all "swap agreements" as defined in 11 U.S.C. § 101).

"**Institutional Investor**" means (a) any Purchaser of a Note, (b) any holder of a Note holding (together with one or more of its affiliates) $1,000,000 or more in aggregate principal amount of either the Series 1 Notes, the Series 2 Notes or the Series 3 Notes then outstanding, (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form, and (d) any Related Fund of any holder of any Note.

"**Insufficiency**" means, with respect to any Plan, the amount, if any, by which its benefit liabilities, as defined in Section 4001(a)(16) of ERISA, determined using the actuarial assumptions used for funding purposes in the most recent actuarial report prepared for such Plan, exceeds the fair market value of such Plan's assets.

"**Investment Company Act**" means the United States Investment Company Act of 1940, as amended from time to time, and the rules and regulations of the SEC promulgated thereunder.

"**Law**" means any foreign, federal, state, local (including municipal) or other statute, law, rule, regulation, ordinance, order, code, policy or rule of common law, now or hereafter in effect, and any judicial or administrative interpretation thereof by a Governmental Authority or otherwise (including any judicial or administrative order, consent decree, judgment, awards, injunction, determination, or writ to which the Company or any of its Subsidiaries is a party).

"**Leased Real Property**" has the meaning assigned to that term in Section 5.10 of this Agreement.

"**Lien**" means any lien, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement, including, without limitation, the lien or retained security title of a conditional vendor and any easement, right of way or other encumbrance on title to real property.

"**Loan Agreement**" has the meaning assigned to that term in Schedule 5.15 of this Agreement.

"**Loan Documents**" means this Agreement, the Notes and any Subsidiary Guaranty.

"**Long-Term Debt**" means any Debt that, in accordance with GAAP, constitutes (or, when incurred, constituted) a long-term liability.

"**Make-Whole Amount**" has the meaning assigned to that term in Section 8.8 of this Agreement.

"**Material**" means material in relation to the business, operations, affairs, financial condition, assets, properties, or prospects of the Company and its Subsidiaries taken as a whole.

"**Material Adverse Effect**" means a material adverse effect on (a) the business, operations, financial condition or assets of the Company and its Subsidiaries, taken as a whole, (b) the ability of any party to any Loan Documents to perform their obligations thereunder or (c) the validity or enforceability of any Loan Documents or the rights and remedies of the Purchasers.

"**Memorandum**" has the meaning assigned to that term in Section 5.3 of this Agreement.

"**Multiemployer Plan**" means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which the Company and its Subsidiaries or any ERISA Affiliate is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"**Multiple Employer Plan**" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Company and its Subsidiaries or any ERISA Affiliate and at least one Person other than the Company and its Subsidiaries and the ERISA Affiliates or (b) was so maintained and in respect of which the Company and its Subsidiaries or any ERISA Affiliate could reasonably be expected to have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

"**NAIC**" means the National Association of Insurance Commissioners or any successor thereto.

"**Net Cash Proceeds**" means, with respect to any Asset Sale, the aggregate amount of cash received from time to time (whether as initial consideration or through payment or disposition of deferred consideration) in connection with such transaction after deducting therefrom only (without duplication) (i) all out-of-pocket costs and expenses of the Company incurred in connection with such transaction, including any brokerage commissions, underwriting fees and discounts, legal fees, finder's fees and other similar fees and commissions, (ii) the amount of taxes payable in connection with or as a result of such transaction and (iii) the amount of any Debt secured by a Lien on such asset that, by the terms of the agreement or instrument governing such Debt, is required to be repaid upon such disposition, in each case to the extent, but only to the extent, that the amounts so deducted are, at the time of receipt of such cash, actually paid to a Person that is not an Affiliate of the Company or a Restricted Person and are properly attributable to such transaction or to the asset that is the subject thereof; *provided, however*, that in the case of taxes that are deductible under clause (ii) above but for the fact that, at the time of receipt of such cash, such taxes have not been actually paid or are not then payable,

the Company or its Subsidiaries may deduct an amount (the "**Reserved Amount**") equal to the amount reserved in accordance with GAAP for the Company's or its Subsidiaries reasonable estimate of such taxes, other than taxes for which the Company or such Subsidiary is indemnified, *provided further, however*, that, at the time such taxes are paid, an amount equal to the amount, if any, by which the Reserved Amount for such taxes exceeds the amount of such taxes actually paid shall constitute "Net Cash Proceeds" of the type for which such taxes were reserved for all purposes hereunder.

"**New Credit Facility**" means any unsecured credit facility entered into at any time and from time to time after the date hereof (provided, that immediately before and after giving effect thereto there is no Default under Section 10(i) of this Agreement) pursuant to which the Company incurs unsecured debt for borrowed money from commercial banks or other institutional lenders, or any refinancing or replacement thereof.

"**Non-Guarantor Subsidiary**" has the meaning assigned to that term in Section 9(h) of this Agreement.

"**Notes**" has the meaning assigned to that term in Section 1(ii) of this Agreement.

"**NPL**" means the National Priorities List under CERCLA.

"**Obligation**" means, with respect to any Person, any payment, performance or other obligation of such Person of any kind, including, without limitation, any liability of such Person on any claim, whether or not the right of any creditor to payment in respect of such claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, disputed, undisputed, legal, equitable, secured or unsecured, and whether or not such claim is discharged, stayed or otherwise affected by any proceeding referred to in Section 5.8. Without limiting the generality of the foregoing, the Obligations of the Company or any of its Subsidiaries under the Loan Documents include the obligation to pay principal, interest, premium (including any Make-Whole Amount), charges, expenses, fees, attorneys' fees and disbursements, indemnities and other amounts payable by the Company or any of its Subsidiaries under any Loan Document.

"**Officer's Certificate**" means, with respect to any Person, a certificate signed by a Responsible Officer of such Person.

"**PBGC**" means the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA, or any successor.

"**Permitted Liens**" means any of the following Liens:

(a) Any Lien:

(i) arising by reason of deposits with or the giving of any form of security to any governmental agency or any other governmental body created or approved by law or governmental regulation for any purpose at any time in connection with the financing of the acquisition or construction of property to be used in the business of the Company or a Subsidiary of the Company;

(ii) for current taxes and assessments or not at the time delinquent and for which adequate reserves have been established to the extent required by GAAP; or

(iii) for taxes and assessments which are delinquent but the validity of which is being contested at the time by the Company or a Subsidiary of the Company in good faith and by appropriate proceedings and for which adequate reserves have been established to the extent required by GAAP;

(b) Leases, whether now or hereafter existing, in the ordinary course of business, of property and assets now and hereafter owned by the Company or any of its Subsidiaries (excluding Capitalized Leases) and any renewals or extensions thereof;

(c) Liens reserved in leases, or arising by operation of law, for rent and for compliance with the terms of the lease in the case of the leasehold estates;

(d) Liens arising by reason of deposits with or the giving of any form of security to any governmental agency or any other governmental body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable the Company or its Subsidiaries to maintain self-insurance or to participate in any fund for liability on any insurance risks or in connection with workmen's compensation, unemployment insurance, old age pensions or other social security or to share in the privileges or benefits required for companies participating in such arrangements;

(e)(i) Mechanics', materialmen's, warehousemen's, landlord's or similar Liens or any Lien arising by reason of pledges or deposits to secure payment of workmen's compensation or other insurance or social security legislation, (ii) good faith deposits or downpayments in connection with tenders or leases of real estate, bids or contracts (other than contracts for the payment of money), including contracts for the acquisition of machinery and equipment, (iii) deposits to secure public or statutory obligations, (iv) deposits to secure or in lieu of surety, stay or appeal bonds, (v) margin deposits (*provided* that all such margin deposits shall not exceed $2,000,000 in the aggregate at any time) and (vi) deposits as security for the payment of taxes or assessments or other similar charges;

(f) Liens of any judgments not constituting an Event of Default under Section 11(h);

(g) Any obligation or duties, affecting the property of the Company or its Subsidiaries, to any municipality or governmental, statutory or other public authority with respect to any franchise, grant, lease, license, permit or similar arrangement with such authority;

(h) Rights reserved to or vested in any municipality or governmental, statutory or other public authority by the terms of any right, power, franchise, grant, license or permit or by any provision of law, to terminate or to require annual or other periodic payments as a condition to the continuance of such right, power, franchise, grant, license or permit;

(i) Rights reserved to or vested in any municipality or governmental, statutory or other public authority to control or regulate any property of the Company or its Subsidiaries, or to use such property in any manner which does not materially impair the use of such property for the purpose for which it is held by the Company or such Subsidiaries;

(j) Zoning laws and ordinances;

(k) Restrictive covenants, easements on, exceptions to or reservations in respect of any property of the Company or its Subsidiaries granted or reserved for the purpose of electric lines, fiber optic lines, water and sewer lines, pipelines, other utilities, roads, streets, alleys, highways, railroad purposes, the removal of oil, gas, hydrocarbon, coal or other minerals, and other like purposes, or for the use of real property or interests therein, facilities and equipment, which do not materially impair the use thereof for the purposes for which it is held by the Company or such Subsidiaries, and any and all rents, royalties, reservations, Liens and rights or interests of third parties, in each case not securing any Debt, arising in the ordinary course of business of the Company or its Subsidiaries by virtue of any lease or exploration, development, drilling, unitization, communitization or operating agreement relating to or affecting any oil, gas, hydrocarbon, coal or other mineral properties in which the Company or any of its Subsidiaries has an interest;

(l) Defects or irregularities of title, and inaccuracies of legal descriptions, affecting any portion of the property of the Company or any of its Subsidiaries that individually or in the aggregate do not materially interfere with the operation, value of use of the properties of the Company or such Subsidiaries taken as a whole;

(m) Liens securing Debt with respect to Debt of any Person that becomes a Subsidiary of the Company, provided that such Liens were in existence prior to the date on which such Person becomes a Subsidiary of the Company and were not created in contemplation of such Person becoming a Subsidiary of the Company;

(n) Liens on any office equipment, data processing equipment (including computer and computer peripheral equipment), or motor vehicles purchased in the ordinary course of the Company’s business; and

(o) Liens created in the ordinary course of business and not in connection with the incurrence of secured Debt in favor of banks and other financial institutions constituting a

right of set-off over credit balances or any bank accounts of the Company or any of its Subsidiaries held at such banks or financial institutions.

"**Person**" means an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"**Plan**" means a Single Employer Plan or a Multiple Employer Plan, as the context may require.

"**Preferred Interests**" means, with respect to any Person, Equity Interests issued by such Person that are entitled to a preference or priority over any other Equity Interests issued by such Person upon any distribution of such Person's property and assets, whether by dividend or upon liquidation.

"**Priority Obligations Amount**" means the sum (without duplication) of (i) all Attributable Indebtedness with respect to any Sale Leaseback Transaction entered into by the Company or any of its Subsidiaries, (ii) all Debt of the Company or any of its Subsidiaries secured by a Lien (other than Liens permitted by clauses (i) through (iii) of Section 10(a)) and (iii) all Debt of Non-Guarantor Subsidiaries (other than Debt owed to the Company or another Subsidiary).

"**Property**" means any right or interest in or to assets or property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible.

"**Proposed Asset Sale Prepayment Date**" has the meaning assigned to that term in Section 8.3(b) of this Agreement.

"**Proposed Change of Control Prepayment Date**" has the meaning assigned to that term in Section 8.4(c) of this Agreement.

"**PUHCA**" means the United States Public Utility Holding Company Act of 2005, as amended from time to time, and the rules and regulations of the SEC promulgated thereunder.

"**Purchaser**" has the meaning assigned to that term in the introductory paragraph of this Agreement.

"**Qualified Institutional Buyer**" means any Person who is a "qualified institutional buyer" within the meaning of such term as set forth in Rule 144A(a)(1) under the Securities Act.

"**Redeemable**" means, with respect to any Equity Interest, any Debt or any other right or Obligation, any such Equity Interest, Debt, right or Obligation that (a) the issuer has undertaken to redeem at a fixed or determinable date or dates, whether by operation of a sinking fund or otherwise, or upon the occurrence of a condition not solely within the control of the issuer or (b) is redeemable at the option of the holder.

"**Regulation U**" has the meaning assigned to that term in Section 5.14 of this Agreement.

"**Related Fund**" means, with respect to any holder of any Note, any fund or entity that (i) invests in Securities or bank loans, and (ii) is advised or managed by such holder, the same investment advisor as such holder or by an affiliate of such holder or such investment advisor.

"**Required Holders**" means, at any time, the holders of more than 50% in principal amount of the Notes at the time outstanding (exclusive of Notes then owned by the Company or any Restricted Persons). Unless the context otherwise clearly requires, any reference to the "Required Holders" is a reference to the Required Holders of all of the Notes.

"**Responsible Officer**" means any Senior Financial Officer and any other officer of the Company or its Subsidiaries, as applicable, with responsibility for the administration of the relevant portion of this Agreement.

"**Restricted Payment**" has the meaning assigned to that term in Section 10(f) of this Agreement.

"**Restricted Persons**" means any (i) Person that owns or otherwise controls, directly or indirectly, more than fifteen percent (15%) of the Equity Interests of the Company and any such Person's Subsidiaries or other Affiliates, and/or (ii) Person that is an Affiliate of the Company.

"**S&P**" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and any successor thereto.

"**Sale Leaseback Transaction**" has the meaning assigned to that term in Section 10(g) of this Agreement.

"**SEC**" means the United States Securities and Exchange Commission, or any successor thereto.

"**Securities**" or "**Security**" shall have the meaning specified in Section 2(1) of the Securities Act.

"**Securities Act**" means the United States Securities Act of 1933, as amended from time to time, and the rules and regulations of the SEC promulgated thereunder from time to time in effect.

"**Senior Financial Officer**" means the chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

"**Series 1 Notes**" has the meaning assigned to that term in Section 1 of this Agreement.

"**Series 2 Notes**" has the meaning assigned to that term in Section 1 of this Agreement.

"**Series 3 Notes**" has the meaning assigned to that term in Section 1 of this Agreement.

"**Single Employer Plan**" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Company or any of its Subsidiaries or any ERISA Affiliate and no Person other than the Company and any of its

Subsidiaries and the ERISA Affiliates or (b) was so maintained and in respect of which the Company or any of its Subsidiaries or any ERISA Affiliate could reasonably be expected to have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

"**Stated Maturity Date**" means (a) with respect to the Series 1 Notes, May 24, 2017, (b) with respect to the Series 2 Notes, May 24, 2022, and (b) with respect to the Series 3 Notes, May 24, 2037.

"**Subsidiary**" of any Person means any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors of such Person (irrespective of whether at the time capital stock of any other class or classes of such Person shall or might have voting power upon the occurrence of any contingency), (b) the interest in the capital or profits of such partnership, joint venture or limited liability company or (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries.

"**Subsidiary Guaranty**" means each guaranty entered into, pursuant to Section 9(h), by a Subsidiary of the Company, substantially in form and substance reasonably acceptable to, and approved by, the Required Holders, guaranteeing the obligations of the Company and any other Subsidiary Guarantors under this Agreement and the Notes.

"**SVO**" means the Securities Valuation Office of the NAIC or any successor to such Office.

"**Term Advances**" means any term loans made, from time to time, under the New Credit Facility.

"**USA Patriot Act**" means United States Public Law 107-56, Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"**Voting Interests**" means shares of capital stock issued by a corporation, or equivalent Equity Interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even if the right so to vote has been suspended by the happening of such a contingency.

"**Withdrawal Liability**" has the meaning specified in Section 4201(b) of ERISA.

SCHEDULE C

INTERCOMPANY DEBT SUBORDINATION PROVISIONS

FORM OF SUBORDINATION PROVISION

Subordination. The Subordinated Lender (i.e., any of the Company's direct or indirect parent (s) (or any equity owner thereof) or any Affiliate thereof) and the Company each agrees that the debt created pursuant to this agreement (such debt, the "Subordinated Debt" and this agreement governing the Subordinated Debt, the "Subordinated Debt Agreement") is expressly made and shall be subordinate, to the extent and in the manner hereinafter set forth, in right of payment to the prior due and punctual payment in full of all obligations of the Company now or hereafter existing under the Notes (as defined in the Note Purchase Agreement referred to below), and any other amounts due by the Company in connection with or under the Note Purchase Agreement, dated as of May 24, 2007, (and as the same may be amended, modified or supplemented), among, in each case, the Company and the purchasers party thereto (the "Note Purchase Agreement", and such obligations, the "Obligations"), including but not limited to the principal of, interest (including default interest) on, and any premium on, the Notes and for fees or expenses in connection therewith or under the Note Purchase Agreement (including without limitation interest (including default interest) after the filing of a petition initiating any proceeding with respect to the dissolution, winding up, liquidation, arrangement, reorganization, bankruptcy, insolvency, or receivership of the Company), and whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise. The Obligations shall not be deemed to have been paid in full until (a) all of the Obligations shall have been indefeasibly paid in full and (b) all commitments of the Company under the Note Purchase Agreement have been terminated.

The Subordinated Lender hereby agrees and covenants not to ask, demand, sue for, take or receive from the Company, directly or indirectly in cash or in other property or by set-off or in any other manner (including without limitation from or by way of collateral), payment of all or any of the principal of or interest on (or any other amounts with respect of) the Subordinated Debt, other than solely as payments permitted under, and in compliance with, Section 10(f) of the Note Purchase Agreement (including, in particular, Section 10(f)(ii) thereof) unless and until the Obligations shall have been paid in full, and the Company agrees not to make any such payment. The Company may not make any payments, whether of principal and/or interest and/or other amounts, on the Subordinated Debt unless the Company makes such payments as permitted under and in compliance with Section 10(f) of the Note Purchase Agreement (including, in particular, Section 10(f)(ii) thereof).

Insolvency. In the event of any dissolution, winding up, liquidation, arrangement, reorganization, adjustment, protection, relief or composition of the Company or its debts, whether voluntary or involuntary, in any bankruptcy, insolvency, arrangement, reorganization, receivership, relief or other similar case or proceeding under any federal or state bankruptcy or similar law or upon an assignment for the benefit of creditors or any other marshaling of the assets and liabilities of the Company or otherwise, the holders of the Notes shall be entitled to receive payment in full of the Obligations before the Subordinated Lender is entitled to receive any payment of all or any of such Subordinated Debt, and any payment or distribution of any kind (whether in cash, property or securities) that otherwise would be payable or deliverable upon or with respect to such Subordinated Debt in any such case, proceeding, assignment,

marshaling or otherwise (including any payment that may be payable by reason of any other indebtedness of the Company being subordinated to payment of the Subordinated Debt) shall be paid or delivered directly to the holders of the Notes for application (in the case of cash) to, or as collateral (in the case of non-cash property or securities) for, the payment or prepayment of the Obligations until the Obligations shall have been indefeasibly paid in full ("Payment in Full").

Payments Received in Trust. All payments or distributions upon or with respect to the Subordinated Debt that are received by the Subordinated Lender contrary to the provisions of this Subordinated Debt Agreement shall be received in trust for the benefit of the holders of the Notes and shall be forthwith paid over to the holders of Notes in the same form as so received (with any necessary endorsement) to be applied to the payment or prepayment of the Obligations.

Senior Default. In the event that (i) any default in the payment of any principal of, interest on or fees relating to any of the Obligations or (ii) any event of default with respect to any of the Obligations shall have occurred and be continuing, then no payment (including any payment that may be payable by reason of any other indebtedness of the Company being subordinated to payment of the Subordinated Debt) shall be made by or on behalf of the Company for or on account of any Subordinated Debt, and the Subordinated Lender shall not take or receive from the Company, directly or indirectly, in cash or other property or by set-off or in any other manner, including, without limitation, from or by way of collateral, payment of all or any of the Subordinated Debt.

Express Third Party Beneficiaries. The Subordinated Lender and the Company agree that the holders of the Notes are express third party beneficiaries of the provisions contained herein.

EXISTING LIENS

1. Expiration of Permits – The following New Mexico State Highway Crossing Permits have expired. These permits are in the process of being renewed.
   a. 30" Loopline
      1. Chaves County – TW Tract No. M-1-L-H
      2. Lincoln County – TW Tract Nos. M-92-L-H and M-97-L-H
      3. Valencia County – TW Tract No. M-165-L-H
      4. Cibola County – TW Tract Nos. M-187-L-H.1, M-187-L-H.2, M-187-L-H.3, M-187-L-H.4, M-187-L-H.5 and M-193-L-H
   b. 24" West Texas Loop—Chaves County – TW Tract Nos. MTL-3-L-H, MTL-5-L-H, MTL-16B-L-H and MTL-66-L-H
   c. 36" West Texas Loop—Eddy County – TW Tract Nos. MTL-81-L-H, MTL-89-L-H and MTL-93-L-H
   d. 36" West Texas Loop—Lea County – TW Tract No. MTL-112-L-H
   e. 12" Atoka Artesia Lateral—Eddy County – TW Tract Nos. MTL-0001-L-10-HX.2 and MTL-0001-L-10-HX.3
   f. 16" Crawford Loop Lateral—Eddy County – TW Tract Nos. MTL-0002-L-20-HX and MTL-0002-L-21-HX.1
2. Rentals in arrears
   a. 16" Keystone Lateral
      1. Winkler County, Texas – TW Tract No. TL-0005-06-RRX.1. Rental last paid to Texas-New Mexico Railway Co. thru 1988 –Successor in title has never been identified despite attempts to do so.
      2. Winkler County, Texas – TW Tract No. TL-0005-06-RRX.2. Rental last paid to Texas-New Mexico Railway Co. thru 1988 –Successor in title has never been identified despite attempts to do so.
3. Right-of-Way Exceptions
   a. 30" Mainline
      1. TW Tract No. M-134A – SW/4 NW/4, Section 22, Township 2 North, Range 5 East, Torrance County, New Mexico. Pipeline traverses property for a distance of 1,548 feet or 0.293 miles. No Easement or permanent Right-of-Way file has been located. Owner(s) unknown.
      2. TW Tract No. M-167A – Portion of Belen Grant, Valencia County, New Mexico. Pipeline traverses property for a distance of approximately 4,000 feet or 0.758 miles. No Easement or permanent Right-of-Way file has been located. Owner(s) unknown.
      3. TW Tract No. M-236-R – Portion of S/2, Section 3, Township 13 North, Range 12 West, McKinley County, New Mexico. Pipeline traverses property for a distance of 2,878 feet or 0.545 miles. No Easement or permanent Right-of-Way file has been located. The owner in 1959 as reflected on alignment drawing was Electric Plains Railroad Spur; current owner(s) unknown.

b. 30" Loop of Mainline—TW Tract No. M-167A – Portion of Belen Grant, Valencia County, New Mexico. Pipeline traverses property for a distance of approximately 4,008 feet or 0.759 miles. No Easement or permanent Right-of-Way file has been located. Owner(s) unknown.

c. 16" Crawford Lateral Loop – The ROW documents related to the below tracts were mistakenly referenced in a sale to GPM (Assets now owned by Duke Field Services, successor in title). However, TW is still in possession of the ROW documents and is in the process of attempting to have the sale document amended to remove the reference of the below tracts.

1. TW Tract No. MTL-0002-L-01-HX – Road crossing permit (9 rods)
2. TW Tract No. MTL-0002-L-08-RRX – Railroad crossing (13 rods)
3. TW Tract No. MTL-0002-L-07B – Easement (3 rods)
4. TW Tract No. MTL-0002-L-16-HX – Road crossing permit (1 rod)

4. Native American Lands:

a. Navajo Nation Allotment Renewal – As of January 1, 2004, the Company's Grant of Right-of-Way by the U.S. Department of Interior ("DOI"), Bureau of Indian Affairs ("BIA") for a total of approximately forty-four (44) miles of pipeline on a total of sixty-nine (69) Navajo allotments expired. These allotments are lands within the Navajo Nation reservation that are privately held but administered by the BIA. One allottee (Mr. Leon Gibson) has made claims of trespass. The aforementioned allottee's claim of trespass has been settled and his consent has been acquired. The BIA sent a letter dated January 20, 2004, noting certain alleged deficiencies in the Company Application for a Grant of Right-of-Way to renew right-of-way on these allotments and requesting a revised appraisal based on pipeline corridor valuations. The Company has responded that this appraisal methodology is not appropriate. New appraisals have been prepared in the 1st quarter of 2007 in compliance with BIA specifications and a receipt of the Renewal Grant for a 20-year term is expected by the 3rd quarter of 2007.

b. Southern Ute Tribe – the Company received letters dated May 27, 2003 and September 2, 2003 from the law firm of Maynes, Bradford, Shipps & Sheftek, LLP, on behalf of the Southern Ute Tribe ("Tribe") alleging trespass by the Company. The letters referenced a May 19, 2003 resolution by the Tribal Council of the Tribe, which revokes a 1996 resolution that granted the Tribe's Consent to a Partial Assignment by Northwest Pipeline Company ("Northwest") to the Company of certain interests in a 1990 Grant of Easement and Right-of-Way, issued by the Secretary of the Interior through the BIA. An application by the Company for approval of the assignment of this interest from Northwest has been in the possession of the BIA since 1999 with no action taken. The total distance of the right-of-way is approximately 6.6 miles. There is an approximate 3,100-foot "gap" in the description of the right-of-way in the BIA grant. The right-of-way for these 6.6 miles expires in September 2005. In addition, an application is pending with the BIA to renew a meter site and a buried electric cable right-of-way for which the Tribe has previously consented and which consent has not

been revoked. The original right-of-way for the buried cable expired on November 16, 2000. The original right-of-way for the meter site expired on February 21, 2001. Agreement for renewal of right-of way grants, between Southern Ute, Transwestern & Northwest, was concluded on June 14, 2006. A Grant of Easement for the pipeline (including the aforementioned 3,100-foot "gap"), buried cable and meter station was executed by the BIA for a term of 15-years, with an expiration date of September 5, 2020.

c. Laguna Pueblo Allotments – the Company received a letter dated March 19, 2003 from the DOI-BIA on behalf of two private allotments within the boundaries of the Laguna Pueblo, that the Company has been in trespass on these two allotments since December 28, 2002. The Company's right-of-way on these two allotments expired on December 28, 2002. The total distance of the right-of-way is about 5,100 feet. New appraisals have been prepared in compliance with BIA specifications. Negotiations with the 2 allotments are ongoing.

d. Navajo Nation Tribal Lands Renewal – As of January 1, 2004, the Company's grant of right-of-way by the DOI-BIA for a total of approximately 14 acres of land near Thoreau, N.M. expired. The Company is conducting remediation activities on this site. An application for renewal of approximately 7 acres has been submitted. The Navajo Nation is receiving annual payments for the 7 acre remediation site under the same CPI formula as contained in the expired Grant. They have requested that no action be taken on renewal of the Grant for the immediate future.

5. Other mortgages, liens or other encumbrances may exist which have not been subordinated to the title of the Company. For example, the majority of the property rights that were acquired for pipelines are in the nature of easements, and upon taking these easements the fee property may have already been subject to a variety of encumbrances such as a mortgage. The Company may have taken the easement subject to the mortgages and may have not subsequently obtain a subordination from the mortgage company.

6. Encumbrances

a. La Plata Facilities Ownership and Operating Agreement dated November 3, 1995, between Northwest Pipeline Corporation ("Northwest") and the Company. Pursuant to this agreement, which governs the ownership and operation of certain pipeline and compression facilities jointly owned by Northwest and the Company, a party proposing to transfer its ownership interest in the facilities to a third party must give the other party notice of such proposed transfer and the opportunity to match the third-party offer and acquire the ownership interest on the terms set forth in such offer.

b. Construction and Ownership Agreement dated November 18, 1991, among Northwest, the Company and Gas Company of New Mexico ("GCNM"). Pursuant to this agreement, which governs the ownership and operation of certain facilities (commonly referred to as the "Blanco Hub" facilities) jointly owned by Northwest, the Company and GCNM, a party proposing to transfer its ownership interest in the facilities to a third party must give the other parties notice of such proposed transfer and the

opportunity to match the third-party offer and acquire the ownership interest on the terms set forth in such offer.

SCHEDULE 5.11

LICENSES, PERMITS, ETC.

Transwestern

Active Trademarks:

- TW Logo — with Flame
  Registration Number: 0734713
  Registered on: July 17, 1962
- "TRANSWESTERN"
  Registration Number: 0750308
  Registered on: May 28, 1963

SCHEDULE 5.15

EXISTING INDEBTEDNESS

1. The Company is obligated to make certain loan principal and interest payments pursuant to the Promissory Note/Intercompany Loan Agreement (the "Loan Agreement"), dated as of January 31, 2007 in the amount of $293.3 million among the Company, as Borrower and Energy Transfer Partners, L.P., the Lender. The Company used the proceeds received from the Loan Agreement to pay certain notes put back to the Company due to the change of control event. The loan will be repaid with proceeds received from the Notes.

   The Loan Agreement is in compliance with the terms of Section 9(g).

2. The Company is obligated to make certain principal and interest payments pursuant to that certain Note Purchase Agreement, dated as of November 17, 2004, as amended by Amendment No. 1 thereto, dated as of April 18, 2007, among the Company and each of the Purchasers party thereto (together, the "Existing NPA"). As of May 24, 2007, the aggregate principal amount of the notes outstanding under the Existing NPA totaled $213,000,000.

Exhibit 31.1

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

I, Ray C. Davis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Energy Transfer Partners, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 10, 2007

/s/ Ray C. Davis
Ray C. Davis
Co-Chief Executive Officer

Exhibit 31.1

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

I, Kelcy L. Warren, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Energy Transfer Partners, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 10, 2007

/s/ Kelcy L. Warren
Kelcy L Warren
Co-Chief Executive Officer

Exhibit 31.2

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

I, Brian J. Jennings, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Energy Transfer Partners, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 10, 2007

/s/ Brian J. Jennings
Brian J. Jennings
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Energy Transfer Partners, L.P. (the "Partnership") on Form 10-Q for the quarter ended May 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ray C. Davis, Co-Chief Executive Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: July 10, 2007

/s/ Ray C. Davis
Ray C. Davis
Co-Chief Executive Officer

*A signed original of this written statement required by 18 U.S.C. Section 1350 has been provided to and will be retained by Energy Transfer Partners, L.P.

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Energy Transfer Partners, L.P. (the "Partnership") on Form 10-Q for the quarter ended May 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kelcy L. Warren, Co-Chief Executive Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: July 10, 2007

/s/ Kelcy L. Warren
Kelcy L. Warren
Co-Chief Executive Officer

*A signed original of this written statement required by 18 U.S.C. Section 1350 has been provided to and will be retained by Energy Transfer Partners, L.P.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Energy Transfer Partners, L.P. (the "Partnership") on Form 10-Q for the quarter ended May 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, H. Michael Krimbill, President and Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: July 10, 2007

/s/ Brian J. Jennings
Brian J. Jennings
Chief Financial Officer

*A signed original of this written statement required by 18 U.S.C. Section 1350 has been provided to and will be retained by Energy Transfer Partners, L.P.