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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, 2006

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 in Rule 12b-2 of the Exchange Act.

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 7, 2006, the registrant had units outstanding as follows:

Energy Transfer Partners, L.P.	108,156,849	Common Units
	2,570,150	Class F Units

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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 as amended on 10-K/A for the fiscal year ended August 31, 2005 filed with the Securities and Exchange Commission on November 14, 2005 and December 12, 2005, respectively.

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
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.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except unit data)
(unaudited)

	May 31, 2006	August 31, 2005
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 26,645	$ 24,914
Marketable securities	4,510	3,452
Accounts receivable, net of allowance for doubtful accounts	494,459	847,028
Accounts receivable from related parties	2,361	4,479
Deposits paid to vendors	85,177	65,034
Inventories	456,518	302,893
Price risk management assets	72,201	138,961
Prepaid expenses and other assets	56,088	71,259
Total current assets	1,197,959	1,458,020
PROPERTY, PLANT AND EQUIPMENT, net	2,903,835	2,440,565
LONG-TERM PRICE RISK MANAGEMENT ASSETS	5,143	41,687
INVESTMENT IN AFFILIATES	36,985	37,353
GOODWILL	325,414	324,019
INTANGIBLES AND OTHER ASSETS, net	122,164	125,262
Total assets	$ 4,591,500	$ 4,426,906

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

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except unit data)
(unaudited)

	May 31, 2006	August 31, 2005
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES:		
Working capital facility	$ —	$ 17,026
Accounts payable	513,206	818,775
Accounts payable to related parties	5	1,073
Customer deposits	13,374	88,038
Price risk management liabilities	33,388	104,772
Accrued and other current liabilities	181,831	170,131
Accrued distribution payable	100,678	—
Accrued interest	27,358	9,647
Income taxes payable	1,221	2,063
Deferred income taxes	4,061	—
Current maturities of long-term debt	39,710	39,349
Total current liabilities	914,832	1,250,874
LONG-TERM DEBT, less current maturities	1,793,256	1,675,705
LONG-TERM PRICE RISK MANAGEMENT LIABILITIES	363	30,517
LONG-TERM AFFILIATED PAYABLE	—	2,005
NONCURRENT DEFERRED INCOME TAXES	108,741	111,185
OTHER NONCURRENT LIABILITIES	9,740	13,284
MINORITY INTERESTS	2,051	17,144
COMMITMENTS AND CONTINGENCIES (Note 12)		
	2,828,983	3,100,714
PARTNERS' CAPITAL:		
General Partner	41,752	49,384
Common Unitholders (108,155,516 and 106,889,904 units authorized, issued and outstanding at May 31, 2006 and August 31, 2005, respectively)	1,563,281	1,362,125
Class C Unitholders (1,000,000 units authorized, issued and outstanding at May 31, 2006 and August 31, 2005)	3,599	—
Class E Unitholders (8,853,832 units authorized, issued and outstanding at May 31, 2006 and August 31, 2005 – held by subsidiary and reported as treasury units)	—	—
Class F Unitholders (2,570,150 and 0 units authorized, issued and outstanding at May 31, 2006 and August 31, 2005, respectively)	93,352	—
Accumulated other comprehensive income (loss)	60,533	(85,317)
Total partners' capital	1,762,517	1,326,192
Total liabilities and partners' capital	$4,591,500	$4,426,906

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

(in thousands, except per unit and unit data)

(unaudited)

	Three Months Ended May 31, 2006	Three Months Ended May 31, 2005	Nine Months Ended May 31, 2006	Nine Months Ended May 31, 2005
REVENUES:				
Midstream and transportation and storage	$ 1,211,549	$ 1,849,518	$ 5,503,385	$ 3,673,730
Propane and other	208,786	182,231	783,386	662,061
Total revenues	1,420,335	2,031,749	6,286,771	4,335,791
COSTS AND EXPENSES:				
Cost of products sold, midstream and transportation and storage	1,020,692	1,708,917	4,765,113	3,359,391
Cost of products sold, propane and other	126,675	108,081	481,712	396,687
Operating expenses	102,969	90,372	305,336	224,122
Depreciation and amortization	28,149	25,229	84,076	67,123
Selling, general and administrative	23,732	20,282	79,986	42,919
Total costs and expenses	1,302,217	1,952,881	5,716,223	4,090,242
OPERATING INCOME	118,118	78,868	570,548	245,549
OTHER INCOME (EXPENSE):				
Interest expense	(13,674)	(26,407)	(70,609)	(66,762)
Equity in losses of affiliates	(150)	(307)	(318)	(161)
Gain (loss) on disposal of assets	22	(138)	556	(665)
Loss on extinguishment of debt	—	(1,554)	—	(9,550)
Interest income and other, net	9,672	(354)	12,933	14
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX EXPENSE AND MINORITY INTERESTS	113,988	50,108	513,110	168,425
Income tax expense	1,981	3,182	28,406	7,341
INCOME FROM CONTINUING OPERATIONS BEFORE MINORITY INTERESTS	112,007	46,926	484,704	161,084
Minority interests	(95)	(422)	(2,199)	(937)
INCOME FROM CONTINUING OPERATIONS	111,912	46,504	482,505	160,147
DISCONTINUED OPERATIONS:				
Income from discontinued operations	—	930	—	5,498
Gain on sale of discontinued operations, net of income tax expense	—	142,076	—	142,076
Total income from discontinued operations	—	143,006	—	147,574
NET INCOME	111,912	189,510	482,505	307,721
GENERAL PARTNER'S INTEREST IN NET INCOME	30,109	15,124	78,287	31,669
LIMITED PARTNERS' INTEREST IN NET INCOME	$ 81,803	$ 174,386	$ 404,218	$ 276,052
BASIC NET INCOME PER LIMITED PARTNER UNIT				
Limited Partners' income from continuing operations	$ 0.67	$ 0.28	$ 2.79	$ 1.16
Limited Partners' income from discontinued operations	—	0.85	—	1.07
NET INCOME PER LIMITED PARTNER UNIT (see Note 7)	$ 0.67	$ 1.13	$ 2.79	$ 2.23
BASIC AVERAGE NUMBER OF UNITS OUTSTANDING	110,658,305	102,244,572	108,466,616	95,251,619
DILUTED NET INCOME PER LIMITED PARTNER UNIT				
Limited Partners' income from continuing operations	$ 0.67	$ 0.28	$ 2.78	$ 1.16
Limited Partners' income from discontinued operations	—	0.85	—	1.07
NET INCOME PER LIMITED PARTNER UNIT (see Note 7)	$ 0.67	$ 1.13	$ 2.78	$ 2.23
DILUTED AVERAGE NUMBER OF UNITS OUTSTANDING	110,921,227	102,483,138	108,718,490	95,478,563

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

(in thousands)

(unaudited)

	Three Months Ended May 31, 2006	Three Months Ended May 31, 2005	Nine Months Ended May 31, 2006	Nine Months Ended May 31, 2005
Net income	$ 111,912	$ 189,510	$ 482,505	$ 307,721
Other comprehensive income before tax:				
Reclassification adjustment for (gains) losses on derivative instruments included in net income accounted for as hedges, before tax benefits of $34, and $315 for the three and nine months ended May 31, 2006, respectively.	(2,855)	(1,890)	(45,286)	8,845
Change in value of derivative instruments accounted for as hedges, before tax expense of $232 and $1,331 for the three and nine months ended May 31, 2006, respectively .	25,358	7,736	191,100	10,114
Change in value of available-for-sale securities, before tax expense of $6, and tax expense of $7 for the three and nine months ended May 31, 2006, respectively.	935	(1,032)	1,059	194
Income tax expense related to items of other comprehensive income	(204)	—	(1,023)	—
Comprehensive income	$ 135,146	$ 194,324	$ 628,355	$ 326,874
Reconciliation of Accumulated Other Comprehensive Income:				
Balance, beginning of period	$ 37,299	$ 14,371	$ (85,317)	$ 32
Current period reclassification to earnings	(2,821)	(1,890)	(44,971)	8,845
Current period change	26,055	6,704	190,821	10,308
Balance, end of period	$ 60,533	$ 19,185	$ 60,533	$ 19,185

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, 2006

(in thousands, except unit data)

(unaudited)

	Number of Common Units	Number of Class F Units	General Partner	Common	Class C	Class E	Class F	Accumulated Other Comprehensive Income (Loss)	Total
Balance, August 31, 2005	106,889,904	—	$ 49,384	$1,362,125	$ —	$ —	$ —	$ (85,317)	$1,326,192
Unit distribution	—	—	(88,703)	(244,721)	—	—	(3,148)	—	(336,572)
Issuance of restricted Common Units	95,807	—	—	—	—	—	—	—	—
Issuance of Common and Class F units to Energy Transfer Equity, L.P.	1,069,850	2,570,150	—	38,907	—	—	93,476	—	132,383
Issuance of Common Units in connection with certain acquisitions	99,955	—	—	4,000	—	—	—	—	4,000
General Partner capital contribution	—	—	2,784	—	—	—	—	—	2,784
Net change in accumulated other comprehensive income per accompanying statement	—	—	—	—	—	—	—	145,850	145,850
Deferred compensation on restricted units and long- term incentive plan	—	—	—	5,375	—	—	—	—	5,375
Net income	—	—	78,287	397,595	3,599	—	3,024	—	482,505
Balance, May 31, 2006	108,155,516	2,570,150	$ 41,752	$1,563,281	$3,599	$ —	$93,352	$ 60,533	$1,762,517

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
(in thousands)
(unaudited)

	Nine Months Ended	
	May 31, 2006	May 31, 2005
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 527,795	$ 295,685
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for acquisitions, net of cash acquired	(35,949)	(1,117,864)
Working capital settlement on prior year acquisitions	19,653	—
Capital expenditures	(510,572)	(118,577)
Proceeds from the sale of discontinued operations	—	191,606
Proceeds from the sale of assets	4,551	3,610
Cash invested in subsidiaries	—	(51)
Net cash used in investing activities	(522,317)	(1,041,276)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	1,585,057	2,071,393
Principal payments on debt	(1,486,700)	(1,583,487)
Proceeds from borrowing from affiliates	—	174,624
Payments on borrowing from affiliates	—	(174,624)
Debt issuance costs	(1,295)	(15,951)
Capital contribution from General Partner	2,702	7,194
Equity offering	132,383	349,749
Cash distributions to unitholders	(235,894)	(143,732)
Net cash (used in) provided by financing activities	(3,747)	685,166
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,731	(60,425)
CASH AND CASH EQUIVALENTS, beginning of period	24,914	81,745
CASH AND CASH EQUIVALENTS, end of period	$ 26,645	$ 21,320
NONCASH FINANCING ACTIVITIES:		
Issuance of Common Units in connection with certain acquisition	$ 4,000	$ 2,500
Notes payable incurred on non-compete agreements	$ 2,361	$ 1,149

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, 2005, 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 have been prepared in accordance with accounting principles generally accepted in the United States of America 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 accounting principles generally accepted in the United States of America for complete consolidated financial statements. However, the Partnership 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 and subsidiaries as of May 31, 2006, and the results of operations for the three-month and nine month periods ended May 31, 2006 and 2005, and cash flows for the nine-month periods ended May 31, 2006 and 2005. The unaudited interim condensed 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, 2005, as amended on Form 10-K/A as filed with the Securities and Exchange Commission on November 14, 2005, and December 12, 2005, respectively.

Certain prior period amounts have been reclassified to conform to the classification presentation in the 2006 condensed financial statements. These reclassifications have no impact on net income or total partners' capital.

Business Operations

In order to simplify the obligations of Energy Transfer Partners under the laws of several jurisdictions in which it conducts business, the Partnership's activities are conducted through two wholly-owned 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 which is engaged in midstream and transportation and storage natural gas operations, and Heritage Operating L.P. ("HOLP"), a Delaware limited partnership, which is engaged in retail and wholesale propane operations (collectively the "Operating Partnerships"). The Partnership, the Operating Partnerships, and their other subsidiaries are collectively referred to in this report as "Energy Transfer Partners" or the "Partnership".

2. DISCONTINUED OPERATIONS:

In April 2005, the Partnership sold its assets in Oklahoma, referred to as the Elk City System, for $191,606 in cash and recorded a gain on the sale during fiscal year 2005 of $142,076, net of income taxes. Accordingly, the Elk City System was accounted for as discontinued operations in accordance with Statement of Financial Accounting Standards, No. 144, *Accounting for the Impairment or Disposal of Long-lived Assets*, for all periods presented in the condensed consolidated statements of operations, as follows:

	Three Months Ended May 31, 2005	Nine Months Ended May 31, 2005
Revenues	$ 21,347	$ 105,542
Cost and expenses	(20,417)	(100,044)
Income from discontinued operations	$ 930	$ 5,498

3. USE OF ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, 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, 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 and deferred taxes. Actual results could differ from those estimates.

4. ACCOUNTS RECEIVABLE:

ETC OLP's 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 or prepayment). Management reviews midstream and transportation and storage accounts receivable balances each week. 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 the midstream and transportation and storage segments is not significant; therefore, an allowance for doubtful accounts for the midstream and transportation and storage segments was not deemed necessary at May 31, 2006 or August 31, 2005. 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, 2006 and 2005 in the midstream and transportation and storage segments.

ETC OLP enters into netting arrangements with counterparties 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.

HOLP grants credit to its 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 operations. 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. Management considers the overall creditworthiness of the Partnership's customers, historical trends in collectability, and any specific disputes in determining the amount of allowance for doubtful accounts. For the three months ended May 31, 2006 and 2005, bad debt expense, net of recoveries, was $683 and $564, respectively. Bad debt expense, net of recoveries, of $1,232 and $2,466 was recognized for the nine months ended May 31, 2006 and 2005, respectively.

Accounts receivable consisted of the following:

	May 31, 2006	August 31, 2005
Accounts receivable - midstream and transportation and storage	$423,782	$782,090
Accounts receivable - propane	74,594	69,014
Less – allowance for doubtful accounts	(3,917)	(4,076)
Total, net	$494,459	$847,028

5. 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. The cost of propane inventories is determined using the weighted-average cost of propane delivered to the customer service locations, and includes storage fees and inbound freight costs, while the cost of appliances, parts, and fittings is determined by the first-in, first-out method. Inventories consisted of the following:

	May 31, 2006	August 31, 2005
Natural gas, propane and other NGLs	$442,573	$288,657
Appliances, parts and fittings and other	13,945	14,236
Total inventories	$456,518	$302,893

6. CUSTOMER DEPOSITS:

The August 31, 2005 balance of customer deposits of $88,038 included $51,400 related to a prepayment made by a customer for natural gas that was physically delivered during the first quarter of fiscal year 2006. Other customer deposits as of August 31, 2005 have either been returned or applied against amounts owed to the Partnership during the nine months ended May 31, 2006.

7. INCOME PER LIMITED PARTNER UNIT:

Basic net income per limited partner unit is computed in accordance with EITF Issue No. 03-6 ("EITF 03-6") *Participating Securities and the Two-Class method under FASB Statement No. 128,* by dividing limited partners' interest in net income by the weighted average number of Common and Class F Units outstanding. In periods when the Partnership's aggregate net income exceeds the aggregate distributions, EITF 03-6 requires the Partnership to present earnings per unit as if all of the earnings for the periods were distributed (see table below). Diluted net income per limited partner unit is computed by dividing limited partners' interest in net income, after considering the General Partner's interest, by the weighted average number of Common and Class F Units outstanding and the effect of non-vested restricted units ("Unit Grants") granted under the 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,	
	2006	2005	2006	2005
Net income	$ 111,912	$ 189,510	$ 482,505	$ 307,721
Adjustments:				
General Partner's incentive distributions	(28,015)	(11,334)	(68,781)	(25,514)
General Partner's equity ownership	(2,094)	(3,790)	(9,506)	(6,155)
Limited Partners' interest in net income	$ 81,803	$ 174,386	$ 404,218	$ 276,052
Additional earnings allocation to General Partner (a)	(3,894)	(59,079)	(98,100)	(63,525)
Less earnings allocated to Class C Units as a result of the SCANA settlement (b)	(3,599)	—	(3,599)	—
Net income available to limited partners (a)	$ 74,310	$ 115,307	$ 302,519	$ 212,527
Weighted average limited partner units – basic	110,658,305	102,244,572	108,466,616	95,251,619
Limited Partners' basic income per unit from continuing operations	$ 0.67	$ 0.28	$ 2.79	$ 1.16
Limited Partners' basic income per unit from discontinued operations	—	0.85	—	1.07
Basic net income per limited partner unit (a)	$ 0.67	$ 1.13	$ 2.79	$ 2.23
Weighted average limited partner units	110,658,305	102,244,572	108,466,616	95,251,619
Dilutive effect of Unit grants	262,922	238,566	251,874	226,944
Weighted average limited partner units, assuming dilutive effect of Unit Grants	110,921,227	102,483,138	108,718,490	95,478,563
Limited Partners' diluted income per unit from continuing operations	$ 0.67	$ 0.28	$ 2.78	$ 1.16
Limited Partners' diluted income per unit from discontinued operations	—	0.85	—	1.07
Diluted net income per limited partner unit (a)	$ 0.67	$ 1.13	$ 2.78	$ 2.23

(a) Basic and diluted net income per limited partner unit for the three and nine months ended May 31, 2005, have been restated to reflect the application of EITF 03-6. The Partnership's 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 any priority income allocations for incentive distributions, if any, to the Partnership's 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. However, for purposes of computing basic and diluted net income per limited partner unit, in periods when the Partnership's aggregate net income exceeds the aggregate distributions 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 the Partnership distributes with respect to any quarter exceeds levels specified in the Partnership Agreement.

(b) As a result of the SCANA settlement discussed in Notes 12 and 14, the Partnership collected a settlement of $7,700 which is net of $3,300 of attorney fees. The Partnership retained $498 for litigation expenses previously incurred. The remaining $7,202 was allocated $3,603 to the Common and Class F Limited Partner Units and $3,599 as a special one-time distribution to the holder of the Partnership's Class C Units for that amount normally allocated to the Partnership's General Partner. The Limited Partner's share of available net income has been reduced accordingly.

8. CASH FLOW FROM OPERATING ACTIVITIES:

Cash flow provided by operating activities in the condensed consolidated statements of cash flows is comprised of the following principal components:

	Nine Months Ended May 31, 2006	Nine Months Ended May 31, 2005
Net income	$ 482,505	$ 307,721
Reconciliation of net income to net cash provided by operating activities:		
Depreciation and amortization	86,146	70,105
Non-cash compensation on unit grants	5,375	1,206
Minority interests not distributed	1,574	634
Gain on sale of discontinued operations before income tax expense	—	(143,951)
Other non-cash items	1,428	19,827
Changes in assets and liabilities:		
Accounts receivable	357,146	(112,027)
Deposits paid to vendors	(20,142)	(43,419)
Inventories	(153,172)	(76,089)
Price risk management assets and liabilities, net	147,557	24,766
Accounts payable	(300,369)	217,615
(Utilization) collection of customer deposits	(74,710)	12,782
Accrued interest	17,711	14,312
Income taxes	(842)	(1,177)
Other	(22,412)	3,380
Net cash provided by operating activities	$ 527,795	$ 295,685

9. UNIT BASED COMPENSATION PLANS:

On September 1, 2005, the Partnership adopted the modified prospective provisions of Statement of Financial Accounting Standards No. 123 (revised 2004) *Accounting for Stock-based Compensation* ("SFAS 123R"). 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. The present value is computed based on the risk-free interest rate, the expected life of the unit grants and the expected unit distributions. The Partnership assumed a weighted average risk-free interest rate of 4.32% for the three and nine months ended May 31, 2006, in estimating the present value of the future cash flows of the distributions during the vesting period on the measurement date of each grant. For the awards outstanding during the three and nine months ended May 31, 2006, the weighted average grant-date fair value was $24.20, and the grant-date average cash distributions were estimated to be $2.16. The expected life of each grant is assumed to be the minimum vesting period under certain performance criteria of each grant. The Partnership recognized compensation expense of $5,375 for the nine months ended May 31, 2006 related to unit based compensation plans. Unit based compensation expense for the three months ended May 31, 2006 was not significant. For the three and nine months ended May 31, 2005, the Partnership recognized compensation expense of $402 and $1,206, respectively. Adoption of SFAS 123R did not have a material effect on the Partnership's income from continuing operations.

2004 Unit Plan

Employee Grants. The Compensation Committee, at 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 specific general guidelines as defined by the 2004 Unit Plan (the "Plan"). On December 20, 2005, the Compensation Committee modified the terms of the grants awarded during fiscal year 2005, by issuing 88,183 Common Units on the grants which vested September 1, 2005, forfeiting 800 grants, and granting 168,200 additional awards. Management has determined that the change due to the modification of the grants awarded in fiscal 2005, in accordance with SFAS 123R, was immaterial. As of May 31, 2006, 356,350 awards to employees were outstanding under the 2004 Unit Plan and 2,867 have been forfeited. These awards vest at a rate of one-third per year for three years based upon the achievement of certain performance criteria. 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.

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 Energy Transfer Partners, L.L.C., 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 Units (the "Initial Director's Grant"). Each Director Participant who is in office on September 1st shall automatically receive an award of Units equal to $15 divided by the fair market value of Common Units on such date ("Annual Director's Grant"). On September 1, 2005, 3,000 Directors Grants vested, and Common Units were issued under the predecessor plan. On December 20, 2005, an additional 3,014 units were vested, and 730 units were forfeited under the 2004 Unit Plan and predecessor plan. As of May 31, 2006, Initial Director's Grants and annual Director's Grants totaling 23,210 units were outstanding under the 2004 Unit Plan and the predecessor plan. Subsequent to May 31, 2006, 1,333 Common Units were issued on Director Grants that had vested.

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 may designate as a participant in accordance with general guidelines under the Plan. As of May 31, 2006, there have been no Long-Term Incentive Grants made under the Plan.

10. ACQUISITIONS:

In January 2005, the Partnership acquired the controlling interests in HPL Consolidation LP ("HPL") from American Electric Power Corporation ("AEP") for approximately $825,000 subject to working capital adjustments. In addition, the Partnership acquired working inventory of natural gas stored in the Bammel storage facilities and financed the purchase through a short-term borrowing from an affiliate, which was repaid in full in April 2005. Under the terms of the transaction, the Partnership acquired all but a 2% limited partner interest in HPL. On November 10, 2005, the Partnership acquired the remaining 2% limited partnership interests in HPL for $16,560 in cash. The purchase price was allocated to property, plant and equipment and the minority interest liability associated with the 2% limited partner interests was eliminated. As a result, HPL became a wholly-owned

subsidiary of ETC OLP. The Partnership also reached a settlement agreement with AEP in November 2005 related to certain inventory and working capital matters associated with the acquisition. The terms of the agreement were not material in relation to the Partnership's financial position or results of operations.

The Partnership obtained the final independent valuation and made the final allocations of the purchase price to the acquired assets during the second quarter of fiscal year 2006. The final adjustments resulted in a reduction of $45,820 to the amount allocated to pad gas and an increase of an equal amount to acquired depreciable assets. The final adjustments did not have a material impact on the Partnership's financial position or results of operations.

The unaudited pro forma consolidated results of operations for the nine months ended May 31, 2005 are presented as if the acquisition of HPL had occurred at the beginning of the period presented. The proforma consolidated net income and earnings per unit include the income from discontinued operations as presented on the condensed consolidated income statement for the nine months ended May 31, 2005. The results do not necessarily reflect the results that would have been obtained if the acquisition had actually occurred on the dates indicated or results that may be expected in the future.

	Nine Months Ended May 31, 2005
Revenues	$6,001,908
Net income	$ 334,147
Basic earnings per Limited Partner Unit	$ 2.20
Diluted earnings per Limited Partner Unit	$ 2.20

11. WORKING CAPITAL FACILITY AND LONG-TERM DEBT:

On November 23, 2005, the Partnership filed a registered exchange offer to exchange newly issued 5.65% Senior Notes due 2012 (the "2012 Notes") were registered under the Securities Act of 1933 (the "New Notes"), for a like amount of outstanding 5.65% Senior Notes due 2012, which have not been registered under the Securities Act (the "Old Notes"). On February 23, 2006 the Partnership commenced the exchange offer which closed on March 31, 2006. All $400,000 of the unregistered 2012 Notes were tendered pursuant to the exchange offer and were replaced with a like amount of registered notes. The sole purpose of the exchange offer was to fulfill the obligations of the Partnership under the registration rights agreement entered into in connection with the sale by the Partnership of the Old Notes on July 29, 2005. The 2012 Notes issued pursuant to the exchange offer will have substantially identical terms to the Old Notes. The 2012 Notes initially are fully and unconditionally guaranteed by ETC OLP and all of the direct and indirect wholly-owned subsidiaries of ETC OLP.

On December 13, 2005 the Partnership entered into the ETP Revolving Credit Facility, a $900,000 five-year revolving credit facility available through December 10, 2010 which replaced its previous revolving credit facility. The ETP Revolving Credit Facility includes an accordion feature of $100,000. On May 16, 2006, ETP exercised the accordion feature which increased the revolver capacity to $1,000,000. Amounts borrowed under the ETP Revolving Credit Facility bear interest at a rate based on either a Eurodollar rate or a prime rate. The ETP Revolving Credit Facility also offers a Swingline loan option with a maximum borrowing of $50,000 at a daily rate based on LIBOR. The maximum commitment fee payable on the unused portion of the facility is 0.25%. The amount outstanding was $350,000 as of May 31, 2006. As of May 31, 2006, the Swingline option had $30,646 outstanding and there were outstanding letters of credit of $15,355 under the ETP Revolving Credit Facility. The weighted average interest rate on the total amount outstanding at May 31, 2006, was 5.42%. The total amount available under the ETP Revolving Credit Agreement, as of May 31, 2006, which is reduced by any amounts outstanding under the Swingline loan and letters of credit, was $603,999. The ETP Revolving Credit Facility was amended on June 29, 2006 to increase the facility to $1,300,000 (the "Amended and Restated Revolving Credit Facility"), which is expandable to $1,500,000, and extend the maturity date to June 29, 2011. Under this amendment, the Swingline loan option was increased to a maximum borrowing of $75,000. The maximum commitment fee payable on the unused portion of the Amended and Restated Credit Facility is 0.175%. The Amended and Restated ETP Revolving Credit Facility is fully and unconditionally guaranteed by ETC OLP and all of the direct and indirect wholly-owned subsidiaries of ETC OLP and Titan Energy Partners, L.P. and its wholly-owned subsidiaries. The

ETP Revolving Credit Facility is unsecured and has equal rights to holders of the Partnership's other current and future unsecured debt.

On May 31, 2006, ETP entered into a $250,000 Revolving Credit Facility, which matures on December 1, 2006. Amounts borrowed under this facility will bear interest at a rate based on either a Eurodollar rate or a base rate. There were no amounts outstanding on this facility as of May 31, 2006. The proceeds are intended to be used for working capital purposes. The maximum commitment fee payable on the unused portion of the facility is 0.25%. The $250,000 Revolving Credit Facility is fully and unconditionally guaranteed by ETC OLP and all of the direct and indirect wholly-owned subsidiaries of ETC OLP. The $250,000 Revolving Credit Facility is unsecured and has equal rights to holders of the Partnership's other current and future unsecured debt. On July 3, 2006, the Partnership reduced its borrowing capacity on the Revolving Credit Facility to $200,000. All terms, and maturity date, as mentioned above remain unchanged.

A $75,000 Senior Revolving Working Capital Facility is available to HOLP through December 31, 2006. Amounts borrowed under this Working Capital Facility bear interest at a rate based on either a Eurodollar rate or a prime rate. The maximum commitment fee payable on the unused portion of the facility is 0.50%. HOLP must reduce the principal amount of working capital borrowings to $10,000 for a period of not less than 30 consecutive days at least one time during each fiscal year, which it complied with during the third quarter ended May 31, 2006. All receivables, contracts, equipment, inventory, general intangibles, cash concentration accounts of HOLP, and the capital stock of HOLP's subsidiaries secure the Senior Revolving Working Capital Facility. As of May 31, 2006, the Senior Revolving Working Capital Facility did not have a balance outstanding. There were outstanding Letters of Credit for the Senior Revolving Working Capital Facility of $6,052 at May 31, 2006. Effective September 1, 2005, HOLP entered into the Second Amendment to the Third Amended and Restated Credit Agreement. The amendment states that in no event shall the Letter of Credit Exposure exceed $15,000 at any time. All of the remaining terms, provisions and conditions of the existing Credit Agreement continue in full force and effect as within the March 31, 2004 Third Amended and Restated Credit Amendment. Letter of Credit exposure plus the Working Capital Loan cannot exceed the $75,000 maximum Working Capital Facility.

Prior to May 31, 2006, HOLP also maintained a $75,000 Senior Revolving Acquisition Facility for acquisitions of propane-related businesses. Amounts borrowed under the Acquisition Credit Facility bore interest at a rate based on either a Eurodollar rate or a prime rate. All receivables, contracts, equipment, inventory, general intangibles, cash concentration accounts of HOLP and the capital stock of HOLP's subsidiaries secured the Senior Revolving Acquisition Facility. During the second quarter of fiscal year 2006, HOLP paid in full the outstanding indebtedness under this facility and cancelled this facility.

12. COMMITMENTS, CONTINGENCIES, AND ENVIRONMENTAL LIABILITIES:

Commitments

The Partnership has forward commodity contracts which will be settled by physical delivery. Short-term contracts, which expire in less than one year, require delivery of up to 822,337 MMBtu/d. Long-term contracts require delivery of up to 75,430 MMBtu/d and extend through July 2018.

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. As of May 31, 2005 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 ended May 31, 2005 and 2006. As a result, the Partnership recognized an additional $14,716 and $13,413 in fees during the three months ended May 31, 2006 and 2005, respectively. TXU Shipper elected to reduce the minimum transport volume to 100,000 MMBtu per year beginning in January 2006. This change will not have a material impact to the Partnership's results of operations.

The Partnership, in the normal course of business, purchases, processes, and sells natural gas pursuant to long-term contracts and enters into long-term transportation and storage agreements. Such contracts contain terms that are customary in the industry. The Partnership believes that such terms are commercially reasonable and will not have a material adverse effect on the Partnership's financial position or results of operations. The Partnership has also entered into several propane purchase and supply commitments which are typically one-year agreements with varying terms as to quantities, prices, and expiration dates. The Partnership also has a long-term purchase contract for 100 million gallons of propane per year that contains a two-year cancellation provision.

Contingencies

The Partnership's pipelines are intrastate and not generally subject to federal regulation. However, its subsidiaries make deliveries and sales to points or other parties, including other interstate pipelines, designated for interstate delivery. As part of an inquiry into the natural gas market disruptions during the hurricanes of late 2005, the Partnership provided information to an industry regulator concerning transactions by its subsidiaries during the fiscal 2006 first quarter. At this time, the Partnership is unable to predict the outcome of this inquiry, or determine the amount of liability, if any, in connection therewith; however, the Partnership believes, after due inquiry, that its transactions complied in all material respects with applicable rules and regulations.

Litigation

The Operating Partnerships may, from time to time, be involved in litigation and claims arising out of their respective operations in the normal course of business. Propane is a flammable, combustible gas. Serious personal injury and significant property damage can arise in connection with its storage, transportation or use. In the ordinary course of business, HOLP is sometimes threatened with or named as a defendant in various lawsuits seeking actual

and punitive damages for product liability, personal injury and property damage. The Partnership maintains 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 the Partnership and its Operating Partnerships from material expenses related to product liability, personal injury or property damage in the future. Although any litigation is inherently uncertain, based on past experience, the information currently available and the availability of insurance coverage, the Partnership does not believe that pending or threatened litigation matters will have a material adverse effect on its financial condition or results of operations.

At the time of the HPL acquisition, the HPL Entities, their parent companies and 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.

Of the pending or threatened matters in which ETP or its subsidiaries are a party, none have arisen outside the ordinary course of business except for an action filed by HOLP on November 30, 1999 against SCANA Corporation, Cornerstone Ventures, L.P. and Suburban Propane, L.P. (the "SCANA litigation"). HOLP received favorable final judgment with respect to the SCANA litigation on all four claims on October 21, 2004, and received $7,700 in net settlement proceeds on June 1, 2006. This amount has been recorded in other current assets and other income in the Partnership's consolidated financial statements. On June 20, 2006, the Partnership declared a special distribution related to the proceeds received in the SCANA litigation of $0.0325 per Limited Partner Unit payable on July 14, 2006 to holders of record of the Partnership's Common and Class F Units as of the close of business June 30, 2006. The distribution also includes a payment to the holder of the Partnership's Class C Units for that amount normally allocated to the Partnership's General Partner (see Note 14).

The Partnership or its subsidiaries is a party to various legal proceedings and/or regulatory proceedings incidental to its business. Certain claims, suits and complaints arising in the ordinary course of business have been filed or are pending against the Partnership. In the opinion of management, all such matters are either covered by insurance, are without merit or involve amounts which, if resolved unfavorably, may have a significant effect on results of operations for any single period, however, the Partnership believes that such matters will not have a material adverse effect on its financial position. Once management determines that information pertaining to a legal proceeding indicates that it is probable that a liability has been incurred, an accrual is established equal to management's estimate of the likely exposure. For matters that are covered by insurance, the Partnership accrues the related deductible. As of May 31, 2006 and August 31, 2005, an accrual of $2,105 and $1,120, respectively, was recorded as accrued and other current liabilities on the Partnership's condensed consolidated balance sheet.

Environmental

The Partnership's 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 the Partnership believes its 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, the Partnership has 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.

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 the Partnership's 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, the Partnership believes that such costs will not have a material adverse effect on its financial position. As of May 31, 2006 and August 31, 2005, an accrual on an undiscounted basis of $1,742 and $2,036, respectively, was recorded as accrued and other current liabilities and other non-current liabilities in the Partnership's condensed consolidated balance sheets to cover environmental liabilities including certain matters assumed in connection with the HPL acquisition. A receivable of $388 and $404 was recorded on the Partnership's condensed consolidated balance sheets as of May 31, 2006 and August 31, 2005, respectively, to account for a predecessor's share of certain environmental liabilities.

13. PRICE RISK MANAGEMENT ASSETS AND LIABILITIES:

Accounting for Derivative Instruments and Hedging Activities

The Partnership applies Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS 133") as amended. 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 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.

The Partnership has established a formal risk management policy in which derivative financial instruments are employed in connection with an underlying asset, liability or anticipated transaction. At inception of a hedge, the Partnership formally documents the relationship between the hedging instrument and the hedged item, the risk management objectives, the methods used for assessing and testing effectiveness, and how any ineffectiveness will be measured and recorded. The Partnership also assesses, both at the inception of the hedge and on a quarterly basis, whether the derivatives that are used in its hedging transactions are highly effective in offsetting changes in cash flows. Furthermore, management meets on a weekly basis to assess the creditworthiness of the derivative counterparties to manage against the risk of default. If the Partnership determines that a derivative is no longer highly effective as a hedge, it discontinues hedge accounting prospectively by including changes in the fair value of the derivative in current earnings.

The market prices used to value the Partnership's financial derivative transactions have been determined using readily available market information, broker quotes and appropriate valuation techniques.

The Partnership uses independent third party prices to value its financial derivatives. Financial derivatives in liquid markets are valued considering various factors, including broker quotes, similar locations, and estimates.

Non-trading Activities

The Partnership utilizes various exchange-traded and over-the-counter commodity financial instrument contracts to limit its exposure to margin fluctuations in natural gas and NGL prices. These contracts consist primarily of futures and swaps and are recorded at fair value on the condensed consolidated balance sheet. If the Partnership designates a financial derivative 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 market 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 occurs. 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 as cost of products sold in the condensed consolidated statement of operations. The Partnership reclassified into earnings gains of $2,789 and $44,463 for the three and nine months ended May 31, 2006, respectively, and gains of $1,534 and losses of $9,198 for the three and nine months ended May 31, 2005, respectively, related to commodity financial instruments that were previously reported in OCI.

In the course of normal operations, the Partnership routinely enters into contracts such as forward physical contracts for the purchase and sale of natural gas, propane, and other NGLs that 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. In connection with the HPL acquisition, the Partnership acquired certain physical forward contracts that contain embedded options. These contracts have not been designated as normal purchases and sales 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

The Partnership has a risk management policy that governs its marketing and trading operations. These activities are monitored independently by the Partnership's 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 Partnership accounts for its trading activities under the provisions of EITF Issue No. 02-3, *Accounting for Contracts Involved in Energy Trading and Risk Management Activities* ("EITF 02-3"), which requires revenue and costs related to energy trading contracts to be presented on a net basis in the income statement. The derivative contracts that are entered into for trading purposes, subject to limits, are recognized on the condensed consolidated balance sheet at fair value, and changes in the fair value of these derivative instruments are recognized in midstream and transportation and storage revenue in the condensed consolidated statement of operations. Gains associated with trading activities for the three and nine months ended May 31, 2006 were $6,323 and $56,160, respectively, including unrealized losses of $1,064 and $20,181, respectively. There were no trading activities during the three or nine months ended May 31, 2005.

The following table details the outstanding commodity-related derivatives as of May 31, 2006 and August 31, 2005, respectively:

	Commodity	Notional Volume MMBTU	Maturity	Fair Value
May 31, 2006				
Mark to Market Derivatives				
(Non-Trading)				
Basis Swaps IFERC/NYMEX	Gas	(568,860)	2006-2009	$ (6,944)
Swing Swaps IFERC	Gas	(60,255,375)	2006-2008	$ (3,009)
Fixed Swaps/Futures	Gas	(2,200,000)	2006-2007	$ 8,444
Options	Gas	(1,230,000)	2006-2008	$ 22,799
Forward Physical Contracts	Gas	(10,010,000)	2006-2008	$ (22,799)
(Trading)				
Basis Swaps IFERC/NYMEX	Gas	6,715,000	2006-2008	$ 26,154
Fixed Swaps/Futures	Gas	(7,500,000)	2006	$ 1,068
Forward Physical Contracts	Gas	(770,000)	2006	$ (252)
Cash Flow Hedging Derivatives				
(Non-Trading)				
Fixed Price Swap	Gas	(48,940,000)	2006-2007	$ 57,139
Basis Swaps IFERC/NYMEX	Gas	(44,922,500)	2006-2007	$ (12,771)
August 31, 2005:				
Mark to Market Derivatives				
(Non-Trading)				
Basis Swaps IFERC/NYMEX	Gas	(34,196,114)	2005-2007	$ 646
Swing Swaps IFERC	Gas	(25,636,504)	2005-2006	$ (6,400)
Fixed Swaps/Futures	Gas	(1,960,000)	2005-2006	$ (7,423)
Options	Gas	(1,776,000)	2005-2008	$ 78,941
Forward Physical Contracts	Gas	(21,340,000)	2005-2008	$ (78,941)
(Trading)				
Basis Swaps IFERC/NYMEX	Gas	(55,772,500)	2005-2007	$ 49,833
Swing Swaps IFERC	Gas	(42,204,999)	2005-2008	$ (3,686)
Fixed Swaps/Futures	Gas	(150,000)	2005	$ 559
Forward Physical Contracts	Gas	—	2005	$ 441
Cash Flow Hedging Derivatives				
Fixed Swaps/Futures	Gas	(41,827,500)	2005-2007	$(141,142)
Fixed Index Swaps	Gas	5,910,000	2005-2006	$ 36,455
Basis Swaps IFERC/NYMEX	Gas	(6,877,500)	2005-2006	$ 3,361

The Partnership expects gains of $46,306 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. The majority of the Partnership's commodity-related derivatives are expected to settle within the next two years.

Estimates related to the Partnership's gas marketing activities are sensitive to uncertainty and volatility inherent in the energy commodities markets and actual results could differ from these estimates. The Partnership also attempts to maintain balanced positions in its non-trading activities to protect itself 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, will 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 the Partnership's positions. To the extent open commodity positions exist in the Partnership's trading and non-trading activities, fluctuating commodity prices can impact the Partnership's financial results and financial position, either favorably or unfavorably.

During the second quarter of fiscal year 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 2006 through March 2006. 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 nine months ended May 31, 2006, the Partnership recognized previously deferred unrealized gains related to February 2006 and March 2006 of $84,680 from the discontinued application of hedge accounting. The Partnership classified the $84,680 as a reduction to costs of products sold in its condensed consolidated statements of operations.

Interest Rate Risk

The Partnership is exposed to market risk for changes in interest rates related to its bank credit facilities. The Partnership manages a portion of its interest rate exposures by utilizing interest rate swaps and similar arrangements which allow the Partnership to effectively convert a portion of variable rate debt into fixed rate debt.

Treasury locks with a notional amount of $200,000, on which the Partnership applies hedge accounting under SFAS 133, were outstanding as of May 31, 2006 and had a fair value of $13,034 which was recorded as unrealized gains in OCI and a component of price risk management assets in the condensed consolidated balance sheet. The outstanding treasury locks expire in June 2006 and were entered into in anticipation of a bond offering to occur by the end of the originally specified time period or within an additional two-month period of time thereafter. Nominal gains and losses were reclassified into earnings previously reported in OCI during the nine months ended May 31, 2006 and the three and nine months ended May 31, 2005 related to treasury locks. Gains of $823 were reclassified into earnings previously reported in OCI during the nine months ended May 31, 2006. Subsequent to May 31, 2006, the treasury locks settled for a gain of $14,237.

The Partnership entered into treasury locks and interest rate swaps with a notional amount of $300,000 during the three months ended May 31, 2006. The Partnership elected not to apply hedge accounting to these financial instruments. Accordingly, changes in the fair value are accounted for in interest expense on the consolidated statements of operations. The fair value of $9,379 as of May 31, 2006 related to these treasury locks was recorded as a component of price risk management assets in the consolidated balance sheet and expire in September 2006.

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

	Three Months Ended		Nine Months Ended	
	May 31, 2006	May 31, 2005	May 31, 2006	May 31, 2005
Commodity-related				
Unrealized gains (losses) recognized in revenues and cost of products sold related to commodity-related derivative activity, excluding ineffectiveness	$(46,317)	$(5,832)	$ (8,508)	$ 5,815
Ineffective portion of derivatives qualifying for hedge accounting	$ 1,430	$ (645)	$ 18,753	$(15,547)
Realized gains included in revenues and cost of products sold	$ 57,600	$ 5,194	$158,055	$ 36,854
Interest rate swaps				
Unrealized gains (losses) on interest rate swap included in interest expense, excluding ineffectiveness	$ 9,304	$(3,870)	$ 9,153	$ (3,009)
Ineffective portion of derivatives qualifying for hedge accounting	$ 75	$ —	$ 846	$ —
Realized gains (losses) on interest rate swap included in interest expense	$ (8)	$ 4,189	$ 127	$ (3,825)

14. QUARTERLY DISTRIBUTIONS OF AVAILABLE CASH:

On October 14, 2005, the Partnership paid a quarterly distribution of $0.50 per unit, or $2.00 per unit annually, to the Unitholders of record at the close of business on September 30, 2005. On January 13, 2006, the Partnership paid a quarterly distribution of $0.55 per unit, or $2.20 per unit annually to Unitholders of record at the close of business on January 4, 2006. On April 14, 2006, the Partnership paid a quarterly distribution of $0.5875 per Limited Partner Unit, or $2.35 per unit annually, an increase of $0.15 per Limited Partner Unit on an annualized basis, to Unitholders of record at the close of business on March 24, 2006. On May 1, 2006, pursuant to its general partner authority, the Partnership Agreement was amended to permit the General Partner to declare the next quarterly distribution prior to the close of such quarter. On May 8, 2006, the Partnership declared a cash distribution of $0.6375, or $2.55 per Limited Partner Unit annually, a $0.20 increase per Limited Partner Unit, for the third quarter ended May 31, 2006 that will be paid on July 14, 2006 to Unitholders of record at the close of business on June 30, 2006, (under generally accepted accounting principles, the Partnership records the amount of the quarterly distribution at the time it is declared, which may occur prior to the time the quarterly distribution is actually paid). As of May 31, 2006, a

liability of $100,678 for the July distribution payment was recorded as an accrued liability in the Partnership's consolidated balance sheet.

In addition to these quarterly distributions, the General Partner, Energy Transfer Partners, GP, L.P. ("ETP GP"), received quarterly distributions for its general partner interest in the Partnership and incentive distributions to the extent the quarterly distribution exceeded $0.275 per unit. The total amount of distributions declared relating to the nine months ended May 31, 2006 on Common Units, the Class F Units, the Class E Units, the General Partner interests and the Incentive Distribution Rights totaled $191,274, $3,148, $9,363, $5,562, and $68,781, respectively. All such distributions were made from Available Cash from Operating Surplus.

On June 20, 2006, the Partnership announced that the Board of Directors of the Partnership's General Partner declared a special distribution of $0.0325 per Limited Partner Unit related to the proceeds received by the Partnership in connection with the SCANA litigation settlement (see Notes 7 and 12). This distribution will be paid on July 14, 2006 to the holders of record of the Partnership's Common and Class F Units as of the close of business on June 30, 2006 for the third quarter ended May 31, 2006. This special one-time payment was approved following a determination of the Litigation Committee of the General Partner to distribute all the net distributable litigation proceeds received by the Partnership in accordance with the Partnership Agreement. The special distribution also includes a payment to the holder of the Partnership's Class C Units for that amount normally allocated to the General Partner, which will be $3,599.

15. PARTNERS' CAPITAL:

Pursuant to its general partner authority, the Partnership's General Partner amended the Amended and Restated Agreement of Limited Partnership of ETP on February 6, 2006, to create a new class of limited partner interests titled Class F Units. The terms and provisions of the Class F Units provide that they may be converted to Common Units upon the approval of a majority of the votes cast by the holders of the Partnership's Common Units provided that the total votes cast by such holders represent a majority of the Common Units entitled to vote. Prior to conversion of the Class F Units, the Class F Units will share in Partnership distributions and will be entitled to all items of Partnership income, gain, loss, deduction and credit as if the Class F Units were Subordinated Units. Upon receiving the requisite approval by the Partnership's common unitholders under a proposal to convert the Class F Units to Common Units, all Class F Units shall convert to Common Units on a one-for-one basis. In the event the Class F Units are not converted to Common Units within six months of their issuance, the Class F Units will be entitled to share in Partnership distributions based on 115% of the amount of any Partnership distribution to each Common Unit, and the right to receive distributions shall have the same order of priority relative to distributions on the Common Units.

On February 8, 2006, the Partnership sold and issued 1,069,850 Common Units and 2,570,150 Class F Units representing limited partnership interests in the Partnership, to Energy Transfer Equity, L.P., ("ETE"). ETE owns 100% of the 2% general partner interests in ETP GP and 50% of the incentive distribution rights in the Partnership (which it holds through its ownership interests in ETP GP). The price paid for each of the Common Units and Class F Units was equal to $36.37 per unit, the New York Stock Exchange closing price of the Partnership's Common Units on February 8, 2006. The Common Units and Class F Units were issued to ETE in a private placement that is exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended. Of the aggregate proceeds of $132,387 from the sale, $75,000 was used to extinguish the HOLP Senior Revolving Acquisition Facility, to pay down the HOLP Senior Revolving Working Capital Facility, and for HOLP general operating purposes. The remaining balance of $57,387 from the proceeds was used to pay down existing debt on the ETP Revolving Credit Facility and for general Partnership operating purposes.

On May 2, 2006, the Partnership issued 99,955 Common Units in connection with a propane acquisition to the former owners of such operations.

As of May 31, 2006, the Partnership had 1,000,000 Class C Units that were issued to the former owners of the Partnership's general partner in conjunction with the August 2000 U.S. Propane transaction, and represent that portion the Partnership's general partner would have been entitled to receive from any distributions attributable to the SCANA litigation (see Note 12). Upon making the payment to the holder of the Class C Units (see Note 14), all 1,000,000 outstanding Class C Units will be retired and canceled.

16. INCOME TAXES:

Energy Transfer Partners, L.P. is a limited partnership. As a result, the Partnership's earnings or losses, to the extent not included in a taxable subsidiary, for federal and state income tax purposes are included in the tax returns of the individual partners. Net earnings for financial statement purposes may differ significantly from taxable income reportable to unitholders as a result of differences between the tax basis and financial reporting basis of assets and liabilities, in addition to the allocation requirements related to taxable income under the Partnership Agreement.

The Partnership is generally not subject to income tax. It is, however, subject to a statutory requirement that its non-qualifying income (including income such as derivative gains from trading activities, service income, tank rentals and others) cannot exceed 10% of its total gross income, determined on a calendar year basis under the applicable income tax provisions. If the amount of the Partnership's non-qualifying income exceeds this statutory limit, the Partnership 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 periods ended May 31, 2006 and 2005, the Partnership's non-qualifying income 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.

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

	Three Months Ended		Nine Months Ended	
	May 31, 2006	May 31, 2005	May 31, 2006	May 31, 2005
Federal statutory tax rate	35.0%	35.0%	35.0%	35.0%
State income tax rate net of federal benefit	2.9%	3.5%	3.1%	3.5%
Earnings not subject to tax at the Partnership level	(36.2%)	(36.9%)	(32.6%)	(36.2%)
Effective tax rate	1.7%	1.6%	5.5%	2.3%

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

	Three Months Ended		Nine Months Ended	
	May 31, 2006	May 31, 2005	May 31, 2006	May 31, 2005
Current income tax expense (benefit):				
Federal	$ 1,616	$ (454)	$26,006	$1,680
State	(1,091)	268	1,767	610
Deferred income tax expense (benefit):				
Federal	1,588	2,917	978	4,296
State	(132)	451	(345)	755
Total	$ 1,981	$ 3,182	$28,406	$7,341

On May 18, 2006, the Governor of Texas signed into law House Bill 3 (HB-3) which modifies the existing franchise tax law. The modified franchise tax will be computed by subtracting either costs of goods sold or compensation expense, as defined in HB-3, from gross revenue to arrive at a gross margin. The resulting gross margin will be taxed at a one percent tax rate. HB-3 has also expanded the definition of tax paying entities to include limited partnerships such as ours. HB-3 becomes effective for activities occurring on or after January 1, 2007. Based on our initial analysis, the Partnership does not believe HB-3 will have a significant adverse impact on its financial position or operating cash flows.

17. RELATED PARTY TRANSACTIONS:

On February 2, 2006 the Partnership entered into a shared services agreement effective upon the initial public offering of ETE. Under the terms of the shared services agreement, ETE will pay the Partnership an annual administrative fee of $500 for the provision of various general and administrative services. The administrative fee may increase in the second and third years by the greater of 5% or the percentage increase in the consumer price index and may also increase if ETE later requires an increase in the level of general and administrative services. Fees recognized since this agreement started were nominal.

The Partnership's natural gas midstream and transportation and storage operations secure compression services from various third parties including Energy Transfer Technologies, Ltd. Energy Transfer Group, LLC is the general partner of Energy Transfer Technologies, Ltd. These entities are collectively referred to as the "ETG Entities". The Partnership's 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. For the nine months ended May 31, 2006 and 2005, payments totaling $5,901 and $898, respectively, were made to the ETG Entities for compression services provided to and utilized in the Partnership's natural gas midstream and transportation and storage operations.

18. SUMMARIZED CONDENSED CONSOLIDATING FINANCIAL STATEMENTS:

The Partnership's ETP Revolving Credit Facility and Senior Notes are fully and unconditionally guaranteed by ETC OLP and all of the direct and indirect wholly-owned subsidiaries of ETC OLP (the "Subsidiary Guarantors"). HOLP and its direct and indirect subsidiaries and Heritage Holdings, Inc. do not guarantee the Partnership's Revolving Credit Facility and Senior Notes. The Subsidiary Guarantors jointly and severally guarantee, on an unsecured senior basis, the Partnership's obligations under the Partnership's Revolving Credit Facility and Senior Notes. Following are unaudited condensed consolidating financial information of the Partnership, the Subsidiary Guarantors, the 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 accounting principles generally accepted in the United States of America.

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

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

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 560	$ —	$ 26,085	$ —	$ 26,645
Marketable securities	—	—	4,510	—	4,510
Accounts receivable, net of allowance for doubtful accounts	—	423,782	70,677	—	494,459
Accounts receivable from related parties	223,336	13,743	2,808	(237,526)	2,361
Deposits paid to vendors	—	85,177	—	—	85,177
Inventories	—	406,845	49,673	—	456,518
Price risk management assets	22,413	49,788	—	—	72,201
Prepaid expenses and other assets	534	50,876	4,678	—	56,088
Total current assets	246,843	1,030,211	158,431	(237,526)	1,197,959
PROPERTY, PLANT AND EQUIPMENT, net	—	2,385,838	517,997	—	2,903,835
LONG-TERM PRICE RISK MANAGEMENT ASSETS	—	5,143	—	—	5,143
INVESTMENT IN AFFILIATES	3,298,143	32,261	134,892	(3,428,311)	36,985
GOODWILL	—	23,736	301,678	—	325,414
INTANGIBLES AND OTHER ASSETS, net	13,173	5,660	103,331	—	122,164
Total assets	$3,558,159	$3,482,849	$ 1,216,329	$(3,665,837)	$4,591,500
LIABILITIES AND PARTNERS' CAPITAL					
CURRENT LIABILITIES:					
Accounts payable	$ —	$ 466,837	$ 46,369	$ —	$ 513,206
Accounts payable to related parties	8,740	226,406	2,385	(237,526)	5
Customer deposits	—	10,841	2,533	—	13,374
Price risk management liabilities	—	33,388	—	—	33,388
Accrued and other current liabilities	4,556	121,815	55,460	—	181,831
Accrued distribution payable	100,678	—	—	—	100,678
Accrued interest	23,255	—	4,103	—	27,358
Income taxes payable	—	—	1,221	—	1,221
Deferred income taxes	—	4,061	—	—	4,061
Current maturities of long-term debt	—	—	39,710	—	39,710
Total current liabilities	137,229	863,348	151,781	(237,526)	914,832
LONG-TERM DEBT, less current maturities	1,528,246	—	265,010	—	1,793,256
LONG-TERM PRICE RISK MANAGEMENT LIABILITIES	—	363	—	—	363
NON-CURRENT DEFERRED INCOME TAXES	—	52,038	56,703	—	108,741
OTHER NONCURRENT LIABILITIES	—	9,740	—	—	9,740
MINORITY INTERESTS	—	—	2,051	—	2,051
COMMITMENTS AND CONTINGENCIES					
	1,665,475	925,489	475,545	(237,526)	2,828,983
PARTNERS' CAPITAL	1,892,684	2,557,360	740,784	(3,428,311)	1,762,517
Total liabilities and partners' capital	$3,558,159	$3,482,849	$ 1,216,329	$(3,665,837)	$4,591,500

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATING BALANCE SHEET
As of August 31, 2005
(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 3,810	$ 38	$ 21,066	$ —	$ 24,914
Marketable securities	—	—	3,452	—	3,452
Accounts receivable, net of allowance for doubtful accounts	—	782,090	64,938	—	847,028
Accounts receivable from related parties	99,833	12,515	1,858	(109,727)	4,479
Deposits paid to vendors	—	65,034	—	—	65,034
Inventories	—	225,325	77,568	—	302,893
Price risk management assets	—	138,961	—	—	138,961
Prepaid expenses and other assets	917	62,514	7,828	—	71,259
Total current assets	104,560	1,286,477	176,710	(109,727)	1,458,020
PROPERTY, PLANT AND EQUIPMENT, net	9	1,938,160	502,396	—	2,440,565
LONG-TERM PRICE RISK MANAGEMENT ASSETS	—	41,687	—	—	41,687
INVESTMENT IN AFFILIATES	2,718,945	32,601	144,283	(2,858,476)	37,353
GOODWILL	—	23,736	300,283	—	324,019
INTANGIBLES AND OTHER ASSETS, net	13,057	14,412	97,793	—	125,262
Total assets	$2,836,571	$3,337,073	$1,221,465	$(2,968,203)	$4,426,906
LIABILITIES AND PARTNERS' CAPITAL					
CURRENT LIABILITIES:					
Working capital facility	$ —	$ —	$ 17,026	$ —	$ 17,026
Accounts payable	2,181	764,590	52,004	—	818,775
Accounts payable to related parties	9,461	100,865	474	(109,727)	1,073
Customer deposits	—	85,527	2,511	—	88,038
Price risk management liabilities	2,156	102,616	—	—	104,772
Accrued and other current liabilities	2,318	80,174	87,639	—	170,131
Accrued interest	6,300	—	3,347	—	9,647
Income taxes payable	—	2,148	(85)	—	2,063
Current maturities of long-term debt	—	—	39,349	—	39,349
Total current liabilities	22,416	1,135,920	202,265	(109,727)	1,250,874
LONG-TERM DEBT, less current maturities	1,348,432	—	327,273	—	1,675,705
LONG-TERM PRICE RISK MANAGEMENT LIABILITIES	—	30,517	—	—	30,517
LONG-TERM AFFILIATED PAYABLE	—	—	2,005	—	2,005
NONCURRENT DEFERRED INCOME TAXES	—	52,854	58,331	—	111,185
OTHER NONCURRENT LIABILITIES	—	13,284	—	—	13,284
MINORITY INTERESTS	—	15,319	1,825	—	17,144
COMMITMENTS AND CONTINGENCIES					
	1,370,848	1,247,894	591,699	(109,727)	3,100,714
PARTNERS' CAPITAL	1,465,723	2,089,179	629,766	(2,858,476)	1,326,192
Total liabilities and partners' capital	$2,836,571	$3,337,073	$1,221,465	$(2,968,203)	$4,426,906

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

For the three months ended May 31, 2006

(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
REVENUES:					
Midstream and transportation and storage	$ —	$1,211,549	$ —	$ —	$1,211,549
Propane and other	—	—	208,786	—	208,786
Total revenue	—	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 income (expense)	(10,754)	3,343	(6,733)	470	(13,674)
Equity in earnings (losses) of affiliates	126,074	(272)	122	(126,074)	(150)
Gain on disposal of assets	—	31	(9)	—	22
Interest income and other, net	291	1,897	7,954	(470)	9,672
INCOME FROM CONTINUING OPERATIONS 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 FROM CONTINUING OPERATIONS 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 three months ended May 31, 2005

(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
REVENUES:					
Midstream and transportation and storage	$ —	$1,849,518	$ —	$ —	$1,849,518
Propane and other	17	—	182,214	—	182,231
Total revenue	17	1,849,518	182,214	—	2,031,749
COSTS AND EXPENSES:					
Cost of products sold, midstream and transportation and storage	—	1,708,917	—	—	1,708,917
Cost of products sold, propane and other	—	—	108,081	—	108,081
Operating expenses	—	43,654	46,718	—	90,372
Depreciation and amortization	—	12,114	13,115	—	25,229
Selling, general and administrative	5,842	11,413	3,027	—	20,282
Total costs and expenses	5,842	1,776,098	170,941	—	1,952,881
OPERATING INCOME (LOSS)	(5,825)	73,420	11,273	—	78,868
OTHER INCOME (EXPENSE):					
Interest expense	(17,000)	(1,652)	(7,755)	—	(26,407)
Equity in earnings (losses) of affiliates	212,649	(210)	(97)	(212,649)	(307)
Gain (loss) on disposal of assets	—	22	(160)	—	(138)
Loss on extinguishment of debt	—	(1,554)	—	—	(1,554)
Interest income and other, net	(206)	(36)	(112)	—	(354)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX EXPENSE AND MINORITY INTERESTS	189,618	69,990	3,149	(212,649)	50,108
Income tax expense	108	583	2,491	—	3,182
INCOME FROM CONTINUING OPERATIONS BEFORE MINORITY INTERESTS	189,510	69,407	658	(212,649)	46,926
Minority interests	—	(285)	(137)	—	(422)
INCOME FROM CONTINUING OPERATIONS	189,510	69,122	521	(212,649)	46,504
DISCONTINUED OPERATIONS:					
Income from discontinued operations	—	930	—	—	930
Gain (loss) on sale from discontinued operations, net of income tax expense	—	143,951	(1,875)	—	142,076
Total income from discontinued operations	—	144,881	(1,875)	—	143,006
NET INCOME (LOSS)	$189,510	$ 214,003	$ (1,354)	$ (212,649)	$ 189,510

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

For the nine months ended May 31, 2006

(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
REVENUES:					
Midstream and transportation and storage	$ —	$5,503,385	$ —	$ —	$5,503,385
Propane and other	—	—	783,386	—	783,386
Total revenue	—	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	(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 income and other, net	5,881	5,835	7,794	(6,577)	12,933
INCOME FROM CONTINUING OPERATIONS 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 FROM CONTINUING OPERATIONS 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 STATEMENT OF OPERATIONS

For the nine months ended May 31, 2005

(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
REVENUES:					
Midstream and transportation and storage	$ —	$3,673,730	$ —	$ —	$3,673,730
Propane and other	56	—	662,005	—	662,061
Total revenue	56	3,673,730	662,005	—	4,335,791
COSTS AND EXPENSES:					
Cost of products sold, midstream and transportation and storage	—	3,359,391	—	—	3,359,391
Cost of products sold, propane and other	—	—	396,687	—	396,687
Operating expenses	—	85,947	138,175	—	224,122
Depreciation and amortization	—	27,169	39,954	—	67,123
Selling, general and administrative	8,459	24,849	9,611	—	42,919
Total costs and expenses	8,459	3,497,356	584,427	—	4,090,242
OPERATING INCOME (LOSS)	(8,403)	176,374	77,578	—	245,549
OTHER INCOME (EXPENSE):					
Interest expense	(26,498)	(18,432)	(23,299)	1,467	(66,762)
Equity in earnings (losses) of affiliates	342,937	(162)	1	(342,937)	(161)
Loss on disposal of assets	—	—	(665)	—	(665)
Loss on extinguishment of debt	—	(9,550)	—	—	(9,550)
Interest income and other, net	(206)	2,012	(325)	(1,467)	14
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX EXPENSES AND MINORITY INTERESTS	307,830	150,242	53,290	(342,937)	168,425
Income tax expense	109	774	6,458	—	7,341
INCOME FROM CONTINUING OPERATIONS BEFORE MINORITY INTERESTS	307,721	149,468	46,832	(342,937)	161,084
Minority interests	—	(397)	(540)	—	(937)
INCOME FROM CONTINUING OPERATIONS	307,721	149,071	46,292	(342,937)	160,147
DISCONTINUED OPERATIONS:					
Income from discontinued operations	—	5,498	—	—	5,498
Gain on sal from discontinued operations, net of Income tax expense	—	143,951	(1,875)	—	142,076
Total income from discontinued operations	—	149,449	(1,875)	—	147,574
NET INCOME	$307,721	$ 298,520	$ 44,417	$ (342,937)	$ 307,721

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	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
NET CASH FLOWS (USED IN) PROVIDED BY 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
Principal payments on debt	(1,208,605)	—	(278,095)	—	(1,486,700)
Proceeds from short term borrowings from affiliates	1,128,579	1,245,649	—	(2,374,228)	—
Principal payments on borrowings from affiliates	(1,245,649)	(1,128,579)	—	2,374,228	—
Debt issuance costs	(1,295)	—	—	—	(1,295)
Capital contribution from general partner	2,702	57,387	75,000	(132,387)	2,702
Equity offering	132,383	—	—	—	132,383
Unit distributions	(235,894)	—	—	—	(235,894)
Distributions to parent	(7,314)	(193,630)	(40,104)	241,048	—
Distribution from subsidiaries	233,734	—	7,314	(241,048)	—
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

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
For the nine months ended May 31, 2005
(see Note 2)
(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (8,400)	$ 245,847	$ 58,238	$ —	$ 295,685
CASH FLOWS FROM INVESTING ACTIVITIES:					
Cash paid for acquisitions, net of cash acquired	—	(1,103,989)	(13,875)	—	(1,117,864)
Cash invested in subsidiaries	(1,613,195)	(51)	—	1,613,195	(51)
Capital expenditures	(9)	(85,893)	(32,675)	—	(118,577)
Proceeds from the sale of discontinued operations	—	191,606	—	—	191,606
Proceeds from the sale of assets	—	132	3,478	—	3,610
Net cash used in investing activities	(1,613,204)	(998,195)	(43,072)	1,613,195	(1,041,276)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from borrowings	1,849,000	80,000	142,393	—	2,071,393
Principal payments on debt	(626,000)	(805,000)	(152,487)	—	(1,583,487)
Proceeds from short term borrowings from affiliates	—	174,624	—	—	174,624
Advances from related parties	403,348	384,967	—	(788,315)	—
Principal payments on borrowings from affiliates	(384,967)	(577,972)	—	788,315	(174,624)
Debt issuance costs	(12,842)	(3,109)	—	—	(15,951)
Capital contribution from General Partner	7,194	1,613,195	—	(1,613,195)	7,194
Equity offering	349,749	—	—	—	349,749
Unit distributions	(143,732)	—	—	—	(143,732)
Distributions to parent	—	(161,799)	(18,263)	180,062	—
Distributions from subsidiaries	171,991	—	8,071	(180,062)	—
Net cash provided by (used in) financing activities	1,613,741	704,906	(20,286)	(1,613,195)	685,166
DECREASE IN CASH AND CASH EQUIVALENTS	(7,863)	(47,442)	(5,120)	—	(60,425)
CASH AND CASH EQUIVALENTS, beginning of period	9,506	52,054	20,185	—	81,745
CASH AND CASH EQUIVALENTS, end of period	$ 1,643	$ 4,612	$ 15,065	$ —	$ 21,320

19. REPORTABLE SEGMENTS:

The Partnership's financial statements reflect four reportable segments: ETC OLP's midstream and transportation and storage operations and HOLP's retail and wholesale propane operations, including the operations of MP Energy Partnership. Segments below the quantitative thresholds are classified as "other". None of these segments have ever met any of the quantitative thresholds for determining reportable segments.

Midstream and transportation and storage segment revenues and expenses include intersegment transactions, which are generally based on transactions made at market-related rates. Consolidated revenues and expenses reflect the elimination of all material intercompany transactions. Certain overhead costs relating to a reportable segment have been allocated for purposes of calculating operating income.

The midstream operations focus on the gathering, compression, treating, processing, transportation and marketing of natural gas, primarily on or through the Southeast Texas System, and marketing operations related to the Partnership's producer services business. Revenue is primarily generated by the volumes of natural gas gathered, compressed, treated, processed, transported, purchased and sold through the Partnership's pipelines (excluding the transportation pipelines) and gathering systems as well as the level of natural gas and NGL prices. The transportation and storage operations focus on transporting natural gas through the Partnership's Oasis Pipeline, ET Fuel System, East Texas Pipeline System, and HPL System. 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 favorable. The transportation and storage operations also consist of the HPL System which generates its 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 the Partnership 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. Investment in affiliates relates primarily to the Partnership's investment in Mid Texas Pipeline System which is included in our transportation and storage segment.

The Partnership's retail and wholesale propane segments sell products and services to retail and wholesale customers. Intersegment sales by the Canadian wholesale operations to the retail propane operations are priced in accordance with the partnership agreement of MP Energy Partnership. The Partnership manages its propane segments separately as each segment involves different distribution, sale, and marketing strategies.

The Partnership evaluates the performance of its operating segments based on operating income exclusive of certain general Partnership selling, general, and administrative expenses, gain (loss) on disposal of assets, minority interests, interest expense, earnings (losses) from equity investments and income tax expense (benefit).

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

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2006	2005	2006	2005
Volumes:				
Midstream				
Natural gas MMBtu/d	1,216,424	1,499,978	1,423,410	1,376,179
NGLs Bbls/d	10,902	13,711	10,224	13,194
Transportation and storage				
Natural gas MMBtu/d – transported	4,797,307	3,487,769	4,500,308	3,214,842
Natural gas MMBtu/d – sold	1,303,033	1,546,728	1,572,223	1,660,567
Propane gallons sold (in thousands)				
Retail	91,514	94,025	346,010	346,156
Wholesale	19,299	15,690	67,143	59,707
Total gallons	110,813	109,715	413,153	405,863

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2006	2005	2006	2005
Revenues:				
Midstream	$ 789,966	$1,244,809	$ 3,544,821	$2,676,611
Eliminations	(497,807)	(413,251)	(2,016,600)	(463,184)
Transportation and storage	919,390	1,017,960	3,975,164	1,460,303
Retail propane and other propane related	185,272	164,166	699,450	599,241
Wholesale propane	21,461	15,761	78,361	57,980
Other	2,053	2,304	5,575	4,840
Total	$1,420,335	$2,031,749	$ 6,286,771	$4,335,791
Cost of Sales:				
Midstream	$ 745,162	$1,222,608	$ 3,342,588	$2,592,209
Eliminations	(497,807)	(413,251)	(2,016,600)	(463,184)
Transportation and storage	773,337	899,560	3,439,125	1,230,366
Retail propane and other propane related	106,153	92,878	408,467	341,129
Wholesale propane	19,959	14,704	71,671	54,331
Other	563	499	1,574	1,227
Total	$1,147,367	$1,816,998	$ 5,246,825	$3,756,078
Operating Expenses:				
Midstream	$ 8,089	$ 5,540	$ 22,431	$ 15,006
Transportation and storage	43,445	38,115	131,694	70,941
Retail propane and other propane related	48,957	44,615	145,043	132,816
Wholesale propane	1,265	816	2,868	2,361
Other	1,213	1,286	3,300	2,998
Total	$ 102,969	$ 90,372	$ 305,336	$ 224,122
Depreciation and Amortization:				
Midstream	$ 4,046	$ 3,266	$ 11,612	$ 9,031
Transportation and storage	10,334	8,848	31,130	18,138
Retail propane and other propane related	13,491	12,850	40,445	39,135
Wholesale propane	173	170	579	534
Other	105	95	310	285
Total	$ 28,149	$ 25,229	$ 84,076	$ 67,123
Operating Income (Loss):				
Midstream	$ 27,225	$ 11,219	$ 148,089	$ 52,675
Transportation and storage	81,859	62,201	339,289	123,699
Retail propane and other propane related	13,007	11,182	93,742	77,814
Wholesale propane	(442)	(310)	1,765	(502)
Other	172	424	391	330
Selling general and administrative expenses not allocated to segments	(3,703)	(5,848)	(12,728)	(8,467)
Total	$ 118,118	$ 78,868	$ 570,548	$ 245,549
Other items not allocated by segment:				
Interest expense	(13,674)	(26,407)	(70,609)	(66,762)
Equity in earnings (losses) of affiliates	(150)	(307)	(318)	(161)
Gain (loss) on disposal of assets	22	(138)	556	(665)
Loss on extinguishment of debt	—	(1,554)	—	(9,550)
Interest income and other, net	9,672	(354)	12,933	14
Minority interests	(95)	(422)	(2,199)	(937)
Income tax expense	(1,981)	(3,182)	(28,406)	(7,341)
	(6,206)	(32,364)	(88,043)	(85,402)
Income from Continuing Operations	$ 111,912	$ 46,504	$ 482,505	$ 160,147

	Nine Months Ended May 31,	
	2006	2005
Additions to Property, Plant and Equipment Including Acquisitions:		
Midstream	$ 16,737	$ 76,302
Transportation and storage	475,165	900,654
Retail propane and other propane related	48,058	42,273
Wholesale propane	314	173
Other	3,981	1,313
Total	$544,255	$1,020,715

	May 31, 2006	August 31, 2005
Total Assets:		
Midstream	$ 622,039	$ 1,024,778
Transportation and storage	2,847,296	2,289,992
Retail propane and other propane related	1,010,908	1,016,313
Wholesale propane	23,041	34,755
Other	88,216	61,068
Total	$ 4,591,500	$ 4,426,906

20. SUBSEQUENT EVENTS:

In June 2006, the Partnership acquired all the propane operations of Titan Energy Partners, LP and Titan Energy, LLC (collectively "Titan") for approximately $562,000, subject to working capital adjustments, net of cash acquired. This acquisition was initially financed by borrowings under the ETP Revolving Credit Facility. This acquisition was accounted for as a business combination using the purchase method of accounting in accordance with the provisions of SFAS 141, and the purchase price has been initially allocated based on the estimated fair value of the individual assets acquired and the liabilities assumed at the date of the acquisition. The preliminary allocation will be adjusted to reflect the final purchase price allocation which will be based on an independent appraisal.

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

The following is a discussion of the historical financial condition and results of operations of the Partnership and its subsidiaries, 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 and Form 10-K/A for the fiscal year ended August 31, 2005 filed with the Securities and Exchange Commission on November 14, 2005 and December 12, 2005, respectively.

Overview

Midstream and transportation and storage segments

Our midstream and transportation and storage segments are operated by ETC OLP. We own and operate approximately 11,700 miles of natural gas gathering and transportation pipelines, three natural gas processing plants, two of which are currently connected to our gathering systems, fourteen natural gas treating facilities and three natural gas storage facilities.

Midstream segment

Our midstream segment focuses on the transportation, gathering, compression, treating, processing and marketing of natural gas. Our operations are currently concentrated in the Austin Chalk trend of southeast Texas, the Permian Basin of west Texas, the Barnett Shale in north Texas and the Bossier Sands in east Texas. We also conduct marketing operations through our producer services business.

Results from the midstream segment are determined primarily by the volumes of natural gas gathered, compressed, treated, processed, purchased and sold through our pipeline and gathering systems and the level of natural gas and NGL prices. We generate our midstream gross margins under fee-based or other arrangements. Under fee-based arrangements, we receive a fee for natural gas gathering, compressing, treating or processing services. The revenue we earn from these arrangements is directly related to the volume of natural gas that flows through our systems and is not directly dependent on commodity prices.

We also utilize other types of arrangements in the midstream segment, including (i) discount-to-index price arrangements which involve purchases of natural gas at either (1) a percentage discount to a specified index price, (2) a specified index price less a fixed amount or (3) a percentage discount to a specified index price less an additional fixed amount, (ii) percentage-of-proceeds arrangements under which we gather and process natural gas on behalf of producers, sell the resulting residue gas and NGL volumes at market prices and remit to producers an agreed-upon percentage of the proceeds based on an index price, and (iii) keep-whole arrangements where we gather natural gas from the producer, process the natural gas and sell the resulting NGLs to third parties at market prices. In many cases, we provide services under contracts that contain a combination of more than one of the arrangements described above. The terms of our contracts vary based upon gas quality conditions, the competitive environment at the time the contracts are signed and customer requirements. The contract mix may change as a result of changes in producer preferences, expansion in regions where some types of contracts are more common and other market factors.

We conduct our marketing operations through our producer services business, in which we market the natural gas that flows through our assets, which we refer to as on-system gas. We also attract other customers by marketing volumes of natural gas that do not move through our assets, which we refer to as off-system gas. For both on-system and off-system gas, we purchase natural gas from natural gas producers and other supply points and sell that natural gas to utilities, industrial consumers, other marketers and pipeline companies, thereby generating gross margins based upon the difference between the purchase and resale prices.

The Partnership has a risk management policy that provides for our marketing and trading operations to execute limited strategies. These activities are monitored independently by our risk management function and must take place within predefined limits and authorizations. Certain strategies are considered trading activities for accounting purposes and are accounted for in net revenues on the condensed consolidated statement of operations. Our trading activities include purchasing and selling natural gas and the use of financial instruments, including basis contracts and gas daily contracts.

Transportation and storage segment

Our transportation and storage segment focuses on the transportation of natural gas through the following pipeline systems:

- Oasis Pipeline. The Oasis Pipeline is a 583-mile natural gas pipeline that directly connects the Waha Hub, a major natural gas trading center located in the Permian Basin of west Texas, to the Katy Hub, a major natural gas trading center near Houston, Texas.
- East Texas Pipeline. The East Texas Pipeline connects natural gas supplies in east Texas to the Katy Hub.
- ET Fuel System. The ET Fuel System, which serves some of the most active drilling areas in the United States, is comprised of approximately 2,000 miles of intrastate natural gas pipeline and related natural gas storage facilities located in Texas. With approximately 460 receipt and/or delivery points, including interconnects with pipelines providing direct access to power plants and interconnects with other intrastate and interstate pipelines, the ET Fuel System is strategically located near high-growth production areas and major markets such as the Waha Hub, the Katy Hub and the Carthage Hub, three major natural gas trading centers located in Texas.
- HPL System. The HPL System is comprised of approximately 4,200 miles of intrastate natural gas pipeline, 64 Bcf of working gas underground Bammel storage reservoir and related transportation assets. The HPL System has access to multiple sources of historically significant natural gas supply reserves from south Texas, the Gulf Coast, east Texas and the western Gulf of Mexico and is directly connected to major gas distribution, electric and industrial load centers in Houston, Corpus Christi, Texas City, Baytown, Beaumont and Port Arthur. The HPL System consists of six main transportation pipelines and three market area loops and has direct access to multiple market hubs at Katy, the Houston Ship Channel, Ague Dulce, and through its operations of the Bammel storage facility.

Results from our transportation and storage segment are determined primarily by the amount of capacity our customers reserve as well as the actual volume of natural gas that flows through our transportation pipelines. Under transportation contracts, we charge our customers (i) a demand fee, which is a fixed fee for the reservation of an agreed amount of capacity on the transportation pipeline for a specified period of time and which obligates the customer to pay us even if the customer does not transport natural gas on the respective pipeline, (ii) a transportation

fee, which is based on the actual throughput of natural gas by the customer, and (iii) a fuel fee retention based on a percentage of gas transported on the pipeline, or a combination of the three, generally payable monthly. We also generate revenue from fees charged for storing customers' working natural gas in our storage facilities, primarily on the ET Fuel system, and to a lesser extent, at HPL.

The transportation and storage segment also generates 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 the market, including purchases from the midstream segment's producer services, and from producers at the wellhead. To the extent the natural gas is obtained from producers, it is purchased at a discount to a specified price and is typically resold to customers at a price based on a published index.

We engage in natural gas storage transactions in which we seek to find and profit from pricing differences that occur over time utilizing the Bammel storage reservoir on our HPL System. The Bammel storage reservoir is one of the largest storage facilities in North America with a total working gas capacity of approximately 64 Bcf. The reservoir has a peak withdrawal rate of 1.3 Bcf/d and also has considerable flexibility during injection periods in that the HPL System has engineered an injection well configuration to provide for a 0.6 Bcf/d peak injection rate. Therefore, 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. Since the acquisition of HPL, we have continually managed our positions to enhance the future profitability of our storage position. We may, from time to time, change our scheduled injection and withdrawal plans based on market conditions and adjust the level of working natural gas stored in the Bammel reservoir. We expect margins from the HPL System to be higher during the periods from November to March of each year and lower during the period from April through October of each year due to the increased demand for natural gas during colder weather. However, we cannot assure that management's expectations will be fully realized in the future and in what time period, due to various factors including weather, availability of natural gas in regions in which we operate, competitive factors in the energy industry, and other issues.

As a result of our trading activities, discussed in Note 13 in the accompanying condensed consolidated financial statements, and the use of financial derivative 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.

Retail and wholesale propane segments

Our propane related segments are operated by HOLP and its subsidiaries who are engaged in the sale, distribution and marketing of propane and other related products through its retail, domestic wholesale and Canadian wholesale propane segments (the propane segments). HOLP derives its revenue primarily from the retail propane segment. We believe that prior to the Titan acquisition discussed below, we were one of the five largest retail marketers of propane in the United States, based on retail gallons sold. We serve more than 700,000 propane customers from 321 customer service locations in 34 states.

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 will have no control. Product supply contracts are typically 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 significant volumes of propane during periods of low demand, which generally occur during the summer months, at the then current market price, for storage both at our customer service locations and in major storage facilities for future resale.

Our retail propane business consists principally of transporting propane purchased in the contract and spot markets, primarily from major fuel suppliers, to our customer service locations and then to propane tanks located on the customers' premises, as well as to portable propane cylinders. In the residential and commercial markets, propane is primarily used for space heating, water heating, and cooking. In the agricultural market, propane is primarily used for crop drying, tobacco curing, poultry brooding, and weed control. In addition, propane is used for certain

industrial applications, including use as an engine fuel to power vehicles and forklifts and as a heating source in manufacturing and mining processes.

Our propane distribution business is largely seasonal and dependent upon weather conditions in our service areas. Propane sales to residential and commercial customers are affected by winter heating season requirements. Historically, approximately two-thirds of HOLP's retail propane volume and substantially all of HOLP's operating income are 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 the first and second fiscal quarters. However, cash flow from operations generally begins to increase during the second fiscal quarter with the greatest amounts collected during the third and fourth fiscal quarters when customers pay for propane purchased during the peak-heating season and enter into prebuy programs for the next 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 realized 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 on normal temperatures in understanding 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. MP Energy Partnership is a Canadian general partnership in which HOLP owns a 60% interest. Because MP Energy Partnership is primarily engaged in lower-margin wholesale distribution, its contribution to our net income is not significant.

Current Developments

On May 4, 2006, we announced that the Board of Directors of our General Partner approved an expansion of our 42 inch pipeline construction project. The expansion consists of adding 157 miles of 36 inch pipeline and 92,700 horsepower of compression. This $360 million expansion will increase the throughput capabilities of the 42 inch project to a volume of 2.3 Bcf per day, and brings the total cost of this project to approximately $895 million. The new 36 inch pipeline begins in Limestone County and traverses in a southeasterly direction to interconnect with the 30 inch Texoma system in Hardin County Texas, northeast of Beaumont. Interconnects with several interstate pipelines are being contemplated. The pipeline will have capacity of up to 950 MMcf per day. It will increase the capacity of the Texoma system by over 600 MMcf per day, with additional capacity available for both intrastate and interstate markets. The project is expected to be completed by August 2007.

On June 1, 2006, we acquired all of the propane operations of Titan Energy Partners LP and Titan Energy GP LLC (collectively "Titan"). The Titan propane assets primarily consist of retail propane operations in 33 states. The operations are conducted from 146 district locations located in high growth areas of the U.S. The addition of the Titan assets will expand our retail propane operations into six additional states and several new operating territories in which we currently do not have operations. This expansion will further reduce the impact on the propane operations from weather patterns in any one area of the U.S., while continuing our focus on conducting the retail propane operations in attractive high-growth areas. Following this acquisition, we believe we are one of the three largest retail marketers of propane in the United States, serving more than one million customers from approximately 440 customer service locations in 40 states, extending from coast to coast and Alaska.

The acquisition was initially financed through borrowings under the ETP Revolving Credit Facility.

On July 7, 2006, we filed a preliminary proxy statement to announce a special meeting of our Common Unitholders. At the meeting, our unitholders will be asked to vote upon a proposal to approve a change to the terms of our Class F Units to provide that each Class F Unit is convertible into one of our Common Units and the issuance of additional Common Units upon such conversion.

Analysis of Historical Results of Operations

We acquired the HPL System on January 26, 2005. The acquisition of HPL affects the comparability of the historical results of operations in our transportation and storage operating segment for the nine months ended May 31, 2006 compared to the nine months ended May 31, 2005, as the results of operations for the nine months ended May 31, 2005 only reflect the impact of this acquisition since January 2005. On November 10, 2005, we purchased the 2% limited partner interest in HPL that we did not already own from AEP for $16.6 million in cash. As a result, HPL became a wholly-owned subsidiary of ETC OLP. We also reached a settlement agreement with AEP related to the inventory and working capital matters associated with the HPL acquisition. The terms of the agreement were not material in relation to our financial position and results of operations.

Overall Increase in Results of Operations. We have experienced a significant increase in our results of operations for the nine months ended May 31, 2006 when compared to the same period last year. The increase is principally attributable to the following:

- *Acquisitions*. We have been successful in completing various strategic acquisitions during the last twelve to eighteen months by both of our operating partnerships, ETC OLP and HOLP. As discussed above, we completed the acquisition of the HPL System on January 26, 2005. We also acquired the Texas Chalk and Madison System in November 2004. These acquisitions have significantly increased our asset base and operations for the three and nine months ended May 31, 2006. In addition, HOLP has made a number of propane acquisitions during the periods presented;
- *Increased volumes and prices.* In addition to the acquisitions, we have also experienced increased volumes in our existing operating segments as a result of various strategies we put in place. Commodity prices have also increased resulting in increased revenues and costs of sales. The average NYMEX settlement price for the natural gas deliveries was $9.77 per MMBtu for the nine months ended May 31, 2006 compared to $6.68 per MMBtu for the nine months ended May 31, 2005.

Comparative Results for the Three and Nine Months Ended May 31, 2006 and 2005

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

Midstream

	Three Months Ended			Nine Months Ended		
	May 31, 2006	May 31, 2005	Increase (Decrease)	May 31, 2006	May 31, 2005	Increase (Decrease)
Natural gas MMBtu/d	1,216,424	1,499,978	(283,554)	1,423,410	1,376,179	47,231
NGLs Bbls/d	10,902	13,711	(2,809)	10,224	13,194	(2,970)

- Natural gas sales volumes decreased by 283,554 MMBtu/d for the three months ended May 31, 2006 compared to the same period in 2005. The decrease was principally attributable to lower volumes marketed by our producer services' operations. Our sales volumes of NGLs 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 decrease in NGL sales volumes is principally due to a change in contract mix with one of our major producers in April 2005 in which we no longer process and sell NGLs on their behalf. We now charge a fee to the producer to process and sell its natural gas and NGLs. The net decrease was offset by an increase in NGL volumes during the three months ended May 31, 2006 as a result of favorable processing conditions.
- For the nine months ended May 31, 2006, natural gas sales volumes increased by 47,231 MMBtu/d compared to the nine months ended May 31, 2005. The increase was principally attributable to the acquisition of the Texas Chalk and Madison Systems on November 1, 2004, as the Texas Chalk and Madison Systems essentially doubled the number of producing wells from 1,000 to 2,000, and increased marketing efforts by our producer services' operations to market on and off-system natural gas. Our sales volumes of NGLs 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 decrease in NGLs sales volumes is principally due to a change in contract mix with one of our major producers and the election to by-pass our processing plant as a result of less favorable market conditions during the latter part of the nine months ended May 31, 2006 compared to the same period last year. The decrease was offset by an increase in NGL volumes during the three months ended May 31, 2006 as a result of favorable processing conditions.

Transportation and Storage

	Three Months Ended			Nine Months Ended		
	May 31, 2006	May 31, 2005	Increase (Decrease)	May 31, 2006	May 31, 2005	Increase (Decrease)
Natural gas MMBtu/d – transported	4,797,307	3,487,769	1,309,538	4,500,308	3,214,842	1,285,466
Natural gas MMBtu/d – sold	1,303,033	1,546,728	(243,695)	1,572,223	1,660,567	(88,344)

- Transported natural gas volumes increased by 1,309,538 MMBtu/d between the three month periods ended May 31, 2006 and 2005. The increase in transportation volumes is principally due to the increased volumes experienced in the Oasis Pipeline system, ET Fuel system and East Texas Pipeline system as a result of our effort to secure firm commitments on our transportation assets and a higher price differential between the Waha and Katy market hubs during the periods presented. Natural gas sales volumes on the HPL System for the three months ended May 31, 2006 decreased 243,695 MMBtu/d compared to the three months ended May 31, 2005, principally due to warmer weather during the three months ended May 31, 2006 compared to the same period last year.
- For the nine months ended May 31, 2006, transported natural gas volumes increased by 1,285,466 MMBtu/d. The increase in transportation volumes is principally due to the increased volumes experienced in the Oasis Pipeline system, ET Fuel system and East Texas Pipeline system as a result of our effort to secure firm commitments on our transportation assets and a higher price differential between the Waha and Katy market hubs during the periods presented. Natural gas sales volumes on the HPL System for the nine months ended May 31, 2006 decreased 88,344 MMBtu/d compared to the nine months ended May 31, 2005, principally due to warmer weather during the nine-month period ended May 31, 2006 compared to the same period last year.

Propane

	Three Months Ended			Nine Months Ended		
	May 31, 2006	May 31, 2005	Increase (Decrease)	May 31, 2006	May 31, 2005	Increase (Decrease)
Gallons sold						
(in thousands)						
Retail	91,514	94,025	(2,511)	346,010	346,156	(146)
Wholesale	19,299	15,690	3,609	67,143	59,707	7,436

- *Retail Propane.* Of the 2.5 million decrease in retail propane gallons sold for the three months ended May 31, 2006, compared to the three months ended May 31, 2005, 5.4 million gallons were related to warm weather, offset by approximately 2.9 million gallons added through acquisitions. The weather in our areas of operations during the three months ended May 31, 2006 was 8.8% warmer than the three months ended May 31, 2005 and 9.9% warmer than normal.
- Of the 0.1 million gallon decrease in retail propane gallons sold for the nine months ended May 31, 2006, compared to the nine months ended May 31, 2005, 14.5 million gallons related to warm weather and higher propane commodity prices, offset by approximately 14.4 million gallons added through acquisitions. The weather in our areas of operations during the nine months ended May 31, 2006 was 3.1% warmer than nine months ended May 31, 2005 and 10.4% warmer than normal.
- *Wholesale Propane*. The increase of 3.6 million wholesale propane gallons between the three months ended May 31, 2006 and 2005 is due to an increase of 0.2 million domestic wholesale gallons sold as a

result of several new customers in our eastern wholesale operations, and an increase of 3.4 million gallons in our Canadian wholesale operations which is related to increased marketing efforts in those operations.

- For the nine months ended May 31, 2006, wholesale propane gallons increased by 7.4 million gallons compared to the same period in 2005. Of this increase, 3.4 million is due to an increase in gallons sold in our U.S. wholesale operations as a result of several new customers in our eastern wholesale operations, and an increase of 4.0 million gallons in our Canadian wholesale operations which is related to increased marketing efforts in our Canadian operations.

Consolidated Results

	Three Months Ended			Nine Months Ended		
	May 31, 2006	May 31, 2005	Amount of Change	May 31, 2006	May 31, 2005	Amount of Change
(unaudited)						
Consolidated Information:						
Revenues	$1,420,335	$2,031,749	$(611,414)	$6,286,771	$4,335,791	$1,950,980
Cost of sales	1,147,367	1,816,998	669,631	5,246,825	3,756,078	1,490,747
Gross margin	272,968	214,751	58,217	1,039,946	579,713	460,233
Operating expenses	102,969	90,372	12,597	305,336	224,122	81,214
Selling, general and administrative	23,732	20,282	3,450	79,986	42,919	37,067
Depreciation and amortization	28,149	25,229	2,920	84,076	67,123	16,953
Consolidated operating income	118,118	78,868	39,250	570,548	245,549	324,999
Equity in earnings (losses) of affiliates	(150)	(307)	157	(318)	(161)	(157)
Interest expense	(13,674)	(26,407)	12,733	(70,609)	(66,762)	(3,847)
Gain (loss) on disposal of assets	22	(138)	160	556	(665)	1,221
Loss on extinguishment of debt	—	(1,554)	1,554	—	(9,550)	9,550
Interest income and other, net	9,672	(354)	10,026	12,933	14	12,919
Minority interests	(95)	(422)	327	(2,199)	(937)	(1,262)
Income tax expense	(1,981)	(3,182)	1,201	(28,406)	(7,341)	(21,065)
Income from continuing operations	111,912	46,504	65,408	482,505	160,147	322,358
Income from discontinued operations, net of income tax expense	—	143,006	(143,006)	—	147,574	(147,574)
Net income	$ 111,912	$ 189,510	$ (77,598)	$ 482,505	$ 307,721	$ 174,784

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

Interest Expense. Interest expense decreased by $12.7 million for the three months ended May 31, 2006 compared to the three months ended May 31, 2005. The principal factors for the decrease are the effects of interest rate swaps and to a lesser extent, the debt reduction at HOLP. During the three months ended May 31, 2006, unrealized gains of $9.3 million were included in interest expense as compared to unrealized losses of $3.9 million for the three months ended May 31, 2005.

For the nine months ended May 31, 2006 compared to the nine months ended May 31, 2005, interest expense increased $3.8 million. The principal factor for this increase is a net $14.5 million increase due to borrowings on the 2005 Senior Notes and the Revolving Credit Facility which we entered into January 2005 to refinance debt at ETC OLP and fund the HPL acquisition, offset principally by the effects of interest rate swaps as described above.

Loss on Extinguishment of Debt. During the nine months ended May 31, 2005, we refinanced certain debt and wrote off $8.0 million of debt issuance costs associated with the debt that was repaid with the proceeds from the issuance of $750 million of 5.95% senior notes. The write-offs were accounted for as loss on extinguishment of debt.

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 decrease in income taxes of $1.2 million for the three months ended May 31, 2006 is mainly attributable to a decrease in the amount of income subject to state taxes in a subsidiary treated as a taxable corporation during this time period as compared to the same period last year. The increase of $21.1 million for the nine months ended May 31, 2006 is attributed principally to higher income in a subsidiary treated as a taxable corporation as compared to the same period last year. The higher income was due to

gains on financial derivative activity recognized by this subsidiary. No similar gains were realized by such subsidiary in prior periods.

Income from Continuing Operations. The increase in income from continuing operations of $65.4 million and $322.3 million between the three and nine month periods of 2006 and 2005, respectively, is principally due to acquisition-related income, increased volumes and margins on our midstream and transportation and storage assets and favorable price movement on our derivative positions during the 2006 period.

Income from Discontinued Operations. On April 14, 2005, we completed the sale of our Oklahoma gathering, treating and processing assets, referred to as the Elk City System. The income from discontinued operations of $143.0 million for the three months ended May 31, 2005 includes the gain on the sale of $142.0 million, and revenues from the Elk City System of $21.4 million offset by costs and expenses of $20.4 million.

For the nine months ended May 31, 2005, the income from discontinued operations included the gain on sale of the Elk City System of $142.0 million, and revenues of $105.6 million offset by costs and expenses of $100.0 million, resulting in income from discontinued operations of $147.6 million.

There were no discontinued operations for the three or nine months ended May 31, 2006.

Net Income. Net income decreased by $77.6 million between the comparable three month periods of May 31, 2006 and 2005 due to the gain that was recognized from the sale of the Elk City System during in April 2005. Net income increased by $174.8 million between the comparable nine month periods of May 31, 2006 and 2005. Excluding the gain $147.6 million recognized from the sale of the Elk City System during the nine months ended May 31, 2005, net income increased by $322.3 million during the comparable nine month periods. The increase is principally due to the effect of the HPL acquisition described above, together with the favorable price movements on financial derivative positions and increased volumes and margins on our midstream and transportation and storage assets.

THREE AND NINE MONTH OPERATING RESULTS BY SEGMENT

Midstream Segment

	Three Months Ended			Nine Months Ended		
	May 31, 2006	May 31, 2005	Amount of Change	May 31, 2006	May 31, 2005	Amount of Change
Revenues	$789,966	$1,244,809	$(454,843)	$3,544,821	$2,676,611	$868,210
Cost of sales	745,162	1,222,608	477,446	3,342,588	2,592,209	750,379
Gross Margin	44,804	22,201	22,603	202,233	84,402	117,831
Operating expenses	8,089	5,540	2,549	22,431	15,006	7,425
Selling, general and administrative	5,444	2,176	3,268	20,101	7,690	12,411
Depreciation and amortization	4,046	3,266	780	11,612	9,031	2,581
Segment operating income	$ 27,225	$ 11,219	$ 16,006	$ 148,089	$ 52,675	$ 95,414

Gross Margin. Midstream's gross margin increased by $22.6 million during the three months ended May 31, 2006 compared to May 31, 2005. Although our volumes and revenues, as noted above, were lower during the 2006 three-month period compared to the same three-month period in 2005, our margin increased as a result of higher fee-based revenues and increased processing margins as a result of favorable processing conditions during the three months ended May 31, 2006 compared to the same period last year. In addition, our marketing operations experienced improved margins on lower volumes due to favorable conditions in markets where our assets are located. The increase was also attributable to $6.3 million in net trading margin during the three months ended May 31, 2006. No margins associated with trading activities were recognized in the comparable 2005 period as we did not commence certain trading activities until the fourth quarter of fiscal year 2005.

For the nine months ended May 31, 2006, midstream's gross margin increased by $117.8 million. The increase was principally due to favorable price movements on financial derivative positions during the 2006 period, higher margins on sales made by our producer services, and increased volumes on our gathering systems which resulted in higher fee-based revenues. Additionally, processing margins on our Southeast Texas System increased as a result of favorable processing conditions during the nine months ended May 31, 2006 compared to the same period last year. During the nine months ended May 31, 2006, we also recognized $56.1 million in margin associated with certain trading activities. No margins associated with trading activities were recognized in the comparable 2005 period as we did not commence certain trading activities until the fourth quarter of fiscal year 2005.

Operating Expenses. Midstream operating expenses increased $2.5 million for the three months ended May 31, 2006 compared to the same period ended May 31, 2005. The increase was principally attributable to $0.9 million in increased measurement expenses, $0.4 million in increased maintenance costs, and increases of $0.9 million in other operating expenses such as chemical costs, utilities and employee costs.

Midstream operating expenses increased $7.4 million for the nine months ended May 31, 2006 compared to the nine months ended May 31, 2005. The increase was primarily due to $2.5 million in increased measurement expenses, $1.0 million in increased chemical costs, $1.3 million in scheduled compressor and pipeline maintenance expense, $0.9 million in employee costs, increased electricity costs of $0.6 million, and increases of $1.1 million in other operating expenses.

Selling, General and Administrative Expenses. The allocation of departmental costs between midstream and the transportation and storage segments is based on factors such as headcount, number of meters, and on-going projects and is intended to fairly present the segment's operating results. Midstream general and administrative expenses increased $3.3 million from the three months ended May 31, 2005 compared to the same period ended May 31, 2006. Increases of $5.5 million in employee-related costs such as salaries, incentive compensation and healthcare costs, and increases in other general and administrative expenses of $2.4 million were offset by increases of $4.6 million in departmental costs allocated to the transportation and storage operating segment. The increased costs are principally due to the growth caused by the recent acquisitions, internal growth projects and upgraded information systems completed in the latter part of the period ended May 31, 2005.

Midstream general and administrative expenses for the nine months ended May 31, 2006 increased $12.4 million compared to the nine months ended May 31, 2005. The increase was attributable to increases of $25.2 million in employee-related costs such as salaries, incentive compensation and healthcare costs, insurance premium increases of $1.5 million, increases in office-related expenses of $3.1 million, and increases in other general and administrative expenses of $2.7 million. The increase was offset by increases of $20.1 million in departmental costs allocated to the transportation and storage operating segment. The increased costs are principally due to the growth caused by the recent acquisitions, internal growth projects and upgraded information systems.

Depreciation and amortization. Midstream depreciation and amortization expense increased $0.8 million between the three months ended May 31, 2005 and 2006 period principally due to pipeline and equipment placed in service subsequent to May 31, 2005.

The increase of $2.6 million for the nine month period ended 2006 compared to the same period in 2005 is principally due to the Devon acquisition in November 2004 and pipeline and equipment placed into service subsequent to May 31, 2005.

Transportation and Storage Segment

	Three Months Ended			Nine Months Ended		
	May 31, 2006	May 31, 2005	Amount of Change	May 31, 2006	May 31, 2005	Amount of Change
Revenues	$919,390	$1,017,960	$ (98,570)	$3,975,164	$1,460,303	$2,514,861
Cost of sales	773,337	899,560	126,223	3,439,125	1,230,366	2,208,759
Gross Margin	146,053	118,400	27,653	536,039	229,937	306,102
Operating expenses	43,445	38,115	5,330	131,694	70,941	60,753
Selling, general and administrative	10,415	9,236	1,179	33,926	17,159	16,767
Depreciation and amortization	10,334	8,848	1,486	31,130	18,138	12,992
Segment operating income	$ 81,859	$ 62,201	$ 19,658	$ 339,289	$ 123,699	$ 215,590

Gross Margin. Transportation and storage gross margin increased between the three months ended May 31, 2005 and 2006 by $27.7 million. The increase in transportation and storage gross margin is principally due to the following:

- Increased volumes and prices. The increase is principally due to the increase in average natural gas prices period to period which prompts shippers to transport natural gas to more liquid markets such as the Katy Hub and our strategy to pursue additional volumes on our transportation pipeline systems. The price differential between the Waha and Katy market hubs increased between the 2005 and 2006 periods, thereby influencing

shippers to transport natural gas to regions where natural gas prices are more favorable. We have also successfully secured more firm contracts as evidenced by our recent transportation agreement with XTO. In addition, our Fort Worth Basin expansion, completed in May 2005, has also allowed shippers to move more gas from the Barnett Shale. Our ET Fuel System also had higher throughput volumes due to the higher than normal temperatures in regions where our assets are located during the three months ended May 31, 2006 compared to May 31, 2005. The higher temperatures required more demand for natural gas to be used by electricity-producing power plants connected to these assets. Our margin was also favorably impacted by an increase in fuel retention fees due to the increase in volumes on our transportation pipelines. 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. We expect our gross margins to continue to increase as a result of this expansion and the recently announced expansion projects;

- Increase in HPL margin. The increase was principally attributable to increased purchases of natural gas at the wellhead and increased storage fees related to our Bammel storage facility. Our margins tend to increase as more natural gas is purchased at the wellhead at a discount of a specified index and resold at a specified index or fixed price. The increase in margin was also attributable to increased processing margins due to favorable market conditions and improved margins from the sale of natural gas to our industrial customers and east markets. The increase was offset by a decrease in margin related to the sale of natural gas from our Bammel storage facility. The decrease was due to management's election not to withdraw natural gas in March 2006 as a result of warmer weather; and,
- We recognized $14.7 million and $13.4 million during the three months ended May 31, 2006 and 2005, 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. As of May 31, 2005 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, 2005 and 2006. As a result, we recognized an additional $14.7 million and $13.4 million in fees during the three months ended May 31, 2006 and 2005, respectively. TXU Shipper elected to reduce the minimum transport volume to 100,000 MMBtu per year beginning in January 2006. This change will not have a material impact to our results of operations.

For the nine months ended May 31, 2006 as compared to the same period in 2005, transportation and storage gross margin increased by $306.1 million. The increase in transportation and storage gross margin is principally due to the following:

- Increased volumes and prices. The increase is principally due to the increase in average natural gas prices period to period which promotes shippers to transport natural gas to more liquid markets such as the Katy Hub and our strategy to pursue additional volumes on our transportation pipeline systems. The price differential between the Waha and Katy market hubs increased between the 2005 and 2006 periods, thereby, influencing shippers to transport natural gas to regions where natural gas prices are more favorable. We have also successfully secured more firm contracts as evidenced by our recent transportation agreement with XTO. In addition, our Fort Worth Basin expansion, completed in May 2005, has also allowed shippers to move more gas from the Barnett Shale. Our margins for the nine months ended May 31, 2006 were also affected favorably by higher than normal temperatures during September and October 2005 and April and May 2006 in regions where our assets are located. The higher temperatures required more demand for natural gas to be used by electricity-producing power plants connected to these assets. Furthermore, our margin was favorably impacted by an increase in fuel retention fees due to the increase in volumes on our transportation pipelines and an increase in average natural gas prices during the 2006 period compared to the 2005 period; and
- The acquisition of HPL in January 2005. The results for the nine months ended May 31, 2005 contain five months of HPL's operating results compared to nine months of operating results during the period ended May 31, 2006. For the nine months ended May 31, 2006, HPL's margin was principally affected by the sale of natural gas held in storage during the winter months when demand for natural gas is strong, increased margins resulting from favorable pricing between the West and East markets in the Houston Ship Channel, and gains on derivatives as noted below. The favorable pricing was attributed to the effects of the hurricanes that struck the east Texas and Louisiana coastlines in August and September 2005. However, such margins were at lower levels than previously experienced during our three months ended November 30, 2005. Such pricing continues to remain at or below levels experienced during the three months ended November 30, 2005; and

- In January and February 2006, we 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 our determination that the originally forecasted sales of natural gas from the storage facilities were no longer probable to occur 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 January 2006 through March 2006 and our flexibility to make changes to the underlying injection and withdrawal schedule for our storage assets, given changes in market conditions. As a result, during the nine months ended May 31, 2006, we recognized previously deferred unrealized gains of approximately $84.7 million from the discontinuation of hedge accounting.

Operating Expenses. Transportation and storage operating expenses increased $5.3 million when comparing the three months ended May 31, 2006 to the same prior period ended May 31, 2005. The increase was principally attributable to increases of $4.3 million in operating expenses related to HPL, $1.0 million increase in property taxes, $0.8 million in compressor and pipeline maintenance, and $0.8 million in increased electrical costs. Offsetting the increase was a net decrease in other operating expenses of $0.2 million, and in compressor fuel consumption of $1.4 million principally attributable to unfavorable fuel consumption adjustments of $4.2 million related to our Bethal and Bryson storage facilities during the quarter ended May 31, 2005. Excluding these adjustments, fuel consumption expense increased by $2.8 million during the three months ended May 31, 2006 as a result of higher throughput volumes. Excluding the impact of volumetric changes, our fuel consumption costs are directly impacted by changes in natural gas prices. Increases in natural gas prices tend to increase our fuel consumption costs and decreases in natural gas prices tend to decrease our fuel consumption costs.

Transportation and storage operating expenses increased $60.8 million when comparing the nine months ended May 31, 2006 to the same prior period ended May 31, 2005. The increase was principally attributable to increases of $31.1 million in operating expenses related to the HPL acquisition, $24.6 million related to compressor fuel consumption resulting from higher throughput volumes and increased gas prices during the period ended May 31, 2006, $2.7 million increase in property taxes, and $2.5 million in increased compressor and pipeline maintenance expenses.

Selling, General and Administrative Expenses. Transportation and storage general and administrative expenses increased $1.2 million for the three months ended May 31, 2006 compared to the three months ended May 31, 2005. The increase was principally due to $4.6 million in certain departmental costs allocated from the midstream segments offset by a decrease of $3.3 million in HPL-related and other general and administrative expenses. The net increase of $1.2 million was due primarily to increases in salaries and wages, incentive compensation expense, and other employee-related costs due to the increase in employee headcount resulting primarily from the HPL acquisition.

Transportation and storage general and administrative expenses increased $16.8 million for the nine months ended May 31, 2006 compared to the nine months ended May 31, 2005 principally due to an increase in certain departmental costs allocated from the midstream segment. The increase in allocated departmental costs is due to the increase in employee headcount resulting primarily from the HPL acquisition and an increase in salaries and wages, incentive compensation expense, and other employee-related expenses.

Depreciation and amortization. Transportation and storage depreciation and amortization expense increased $1.5 million from the three months ended May 31, 2005 to the three months ended May 31, 2006. The increase was principally due to the Fort Worth Basin expansion project completed in May 2005, and additional compressors and equipment added to existing systems.

Transportation and storage depreciation and amortization expense increased $13.0 million from the nine months ended May 31, 2005 to the nine months ended May 31, 2006. The increase was principally due to the HPL acquisition in January 2005, the Fort Worth Basin expansion project completed in May 2005, and additional compressors and equipment added to existing systems.

Retail Propane Segment

	Three Months Ended			Nine Months Ended		
	May 31, 2006	May 31, 2005	Amount of Change	May 31, 2006	May 31, 2005	Amount of Change
Retail propane revenues	$168,767	$149,036	$ 19,731	$643,187	$547,017	$ 96,170
Other propane related revenues	16,505	15,130	1,375	56,263	52,224	4,039
Retail propane cost of sales	101,889	88,931	12,958	392,950	326,120	66,830
Other propane related cost of sales	4,264	3,947	317	15,517	15,009	508
Gross margin	79,119	71,288	7,831	290,983	258,112	32,871
Operating expenses	48,957	44,615	4,342	145,043	132,816	12,227
Selling, general and administrative	3,664	2,641	1,023	11,753	8,347	3,406
Depreciation and amortization	13,491	12,850	641	40,445	39,135	1,310
Segment operating income	$ 13,007	$ 11,182	$ 1,825	$ 93,742	$ 77,814	$ 15,928

Revenues. Retail propane revenue between the three months ended May 31, 2006 and 2005, increased $19.7 million of which $5.3 million was due to the increase in volumes sold by customer service locations added through acquisitions and $24.4 million is due to higher selling prices. These increases were offset by a decrease of $10.0 million due to the adverse impact of weather related volumes described above. Other propane related revenues increased $1.4 million for the three months ended May 31, 2006 compared to the same three-month period last year primarily due to increases resulting from acquisitions.

Of the total increase in retail propane revenue of $96.2 million between the nine months ended May 31, 2006 and 2005, $26.8 million is due to the increase in volumes sold by customer service locations added through acquisitions and $96.4 million is due to higher selling prices. These increases were offset by a decrease of $27.1 million due to the adverse impact of weather related volumes described above. Other propane related revenues increased $4.0 million for the nine months ended May 31, 2006 compared to the same nine-month period last year primarily due to other propane related revenues of companies we have acquired between the two periods.

Costs of Sales. Retail propane cost of sales during the three months ended May 31, 2006 compared to the three months ended May 31, 2005 increased by $12.9 million, of which $15.7 million was due to higher cost of fuel, $3.2 million was due to cost of fuel sold by customer service locations added through acquisitions, offset by an $6.0 million decrease due to the impact of weather related volumes described above.

During the nine months ended May 31, 2006 compared to the nine months ended May 31, 2005, retail propane cost of sales increased by $66.8 million of which $16.4 million is a result of an overall increase in gallons sold by customer service locations added through acquisitions, $66.9 million is due to higher cost of fuel offset by a decrease of $16.5 million due to the impact of weather related volumes described above.

Gross Margin. The overall increase in gross margins for the three and nine-month comparable periods ending May 31, 2006 and 2005 is a function of acquisition related increases and higher sales prices.

Operating Expenses. Operating expenses increased $4.3 million during the three months ended May 31, 2006 compared to the same three-month period last year due to a combination of a $3.1 million increase in our employee base from acquisitions and annual salary increases, $0.7 million higher fuel costs to run our vehicles and other vehicle expenses, and a $1.4 million general increase in other operating expenses also from acquisitions, offset by a $0.9 million net decrease in business insurance.

During the nine months ended May 31, 2006, operating expenses increased by $12.2 million compared to the same nine month period last year due to a combination of a $7.3 million increase in our employee base from acquisitions and annual salary increases, $2.2 million higher fuel costs to run our vehicles and other vehicle expenses, and a $3.9 million general increase in other operating expenses also from acquisitions, offset by a $1.2 million net decrease in business insurance.

Selling, General and Administrative Expenses. The increase for the three and nine-month comparable periods of May 31, 2006 and 2005 is primarily due to increases in administrative bonuses, salaries and bonuses and deferred compensation expense related to increases in staffing and additional restricted unit awards outstanding.

Operating Income. Operating income increased by $1.8 million during the three months ended May 31, 2006 compared to the three months ended May 31, 2005. This variance is primarily due to the changes in revenues and expenses described above.

For the nine months ended May 31, 2006, total operating income increased by $15.9 million compared to the nine months ended May 31, 2005. This variance is primarily due to the changes in revenues and expenses described above.

Wholesale Propane Segment

	Three Months Ended			Nine Months Ended		
	May 31, 2006	May 31, 2005	Amount of Change	May 31, 2006	May 31, 2005	Amount of Change
Revenues	$21,461	$15,761	$ 5,700	$78,361	$57,980	$ 20,381
Cost of sales	19,959	14,704	5,255	71,671	54,331	17,340
Gross margin	1,502	1,057	445	6,690	3,649	3,041
Operating expenses	1,265	816	449	2,868	2,361	507
Selling, general and administrative	506	381	125	1,478	1,256	222
Depreciation and amortization	173	170	3	579	534	45
Segment operating income (loss)	$ (442)	$ (310)	$ (132)	$ 1,765	$ (502)	$ 2,267

Revenues. Of the increase in wholesale revenue of $5.7 million from the three months ended May 31, 2006 compared to the same three-month period last year, $3.9 million is primarily related to the increase in gallons sold to new customers in our eastern wholesale and Canadian operations, and $1.8 million is related to higher selling prices.

Of the increase of $20.4 million in wholesale revenue from the nine months ended May 31, 2006 compared to same nine month period last year, $9.0 million is primarily related to the increase in gallons sold to new customers in our eastern wholesale and Canadian operations and $11.4 million is related to higher selling prices.

Costs of Sales. Total wholesale cost of sales increased by $5.2 million in the three months ended May 31, 2006 compared to the three months ended May 31, 2005 proportionate to the increase in revenues described above. Wholesale propane cost of sales increased by $1.5 million due to higher selling prices, and by $3.7 million due to the increase in customers in our eastern wholesale operations described above.

For the nine months ended May 31, 2006 compared to the same nine-month period last year, total cost of sales increased by $17.3 million. Of the increase, $9.3 million is due to higher selling prices and $8.0 million is due to the increase in customers in our eastern wholesale operations described above.

Gross Margin. The overall increases in gross margin for both the three-month and nine month periods ended May 31, 2006 and 2005, are primarily a function of the activities described above in revenues and costs related to the new customers in our eastern wholesale and Canadian operations.

Operating Income (Loss). The decrease in operating income of $0.1 million and the increase of $2.3 million during the three and nine-month periods ended May 31, 2006, respectively, are primarily due to the changes in revenues and expenses described above.

Other

	Three Months Ended			Nine Months Ended		
	May 31, 2006	May 31, 2005	Amount of Change	May 31, 2006	May 31, 2005	Amount of Change
Revenue	$ 2,053	$ 2,304	$ (251)	$ 5,575	$4,840	$ 735
Cost of sales	563	499	64	1,574	1,227	347
Operating expenses	1,213	1,286	(73)	3,300	2,998	302
Depreciation and amortization	105	95	10	310	285	25
Other operating income	$ 172	$ 424	$ (252)	$ 391	$ 330	$ 61
Unallocated selling, general and administrative expenses	$ 3,703	$ 5,848	$ (2,145)	$12,728	$8,467	$ 4,261

Unallocated Selling, General and Administrative Expenses. The selling, general and administrative expenses that relate to the general operations of the Partnership are not allocated to our segments.

For the three months ended May 31, 2006, selling, general, and administrative expenses decreased $2.1 million compared to the same three month period last year due to a decrease in the unit-based compensation expense for the period.

Unallocated selling, general and administrative expenses increased $4.3 million for the nine months ended May 31, 2006 as compared to the nine month period ended May 31, 2005. This increase is primarily attributed to a $0.7 million increase in executive salaries due to additional staffing, a $2.2 million increase in professional fees due to our on-going efforts with Sarbanes-Oxley and other Partnership expenses, and a $1.4 million increase in additional executive bonuses and non-cash compensation related to additional staffing and restricted units awards outstanding.

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 periods ended May 31, 2006 and 2005, our non-qualifying income was not expected to 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,	
	2006	2005	2006	2005
Federal statutory tax rate	35.0%	35.0%	35.0%	35.0%
State income tax rate net of federal benefit	2.9%	3.5%	3.1%	3.5%
Earnings not subject to tax at the Partnership level	(36.2%)	(36.9%)	(32.6%)	(36.2%)
Effective tax rate	1.7%	1.6%	5.5%	2.3%

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

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2006	2005	2006	2005
Current income tax expense (benefit):				
Federal	$ 1,616	$ (454)	$26,006	$1,680
State	(1,091)	268	1,767	610
Deferred income tax expense (benefit):				
Federal	1,588	2,917	978	4,296
State	(132)	451	(345)	755
Total	$ 1,981	$ 3,182	$28,406	$7,341

On May 18, 2006, the Governor of Texas signed into law House Bill 3 (HB-3) which modifies the existing franchise tax law. The modified franchise tax will be computed by subtracting either costs of goods sold or compensation expense, as defined in HB-3, from gross revenue to arrive at a gross margin. The resulting gross margin will be taxed at a one percent tax rate. HB-3 has also expanded the definition of tax paying entities to include limited partnerships such as ours. HB-3 becomes effective for activities occurring on or after January 1, 2007. Based on our initial analysis, we do not believe HB-3 will have a significant adverse impact on our financial position or operating cash flows.

LIQUIDITY AND CAPITAL RESOURCES

Our ability to satisfy our obligations 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 of our business will generally consist of:

- maintenance capital expenditures which includes 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 an additional $7.8 million during the current 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 an additional $3.0 million;
- growth capital expenditures, mainly for constructing new pipelines, processing plants and treating plants for which we expect to expend approximately an additional $225.0 million during the current fiscal year; and customer propane tanks for which we expect to expend approximately an additional $10.0 million; 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 will be financed by the proceeds of borrowings under the existing credit facilities described below;
- growth capital expenditures will be financed by the proceeds of borrowings under the existing credit facilities, the issuance of additional Common Units or a combination thereof; and
- acquisition capital expenditures will 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.

The assets used in our midstream and transportation and storage segments, including pipelines, gathering systems and related facilities, are generally long-lived assets and do not require significant maintenance capital expenditures other than new well connects. The assets utilized in our propane operations do not typically require lengthy manufacturing process time or complicated, high technology components. Accordingly, we do not have any significant financial commitments for maintenance capital expenditures in our propane business.

In connection with the HPL acquisition, we now engage in natural gas storage transactions in which we seek to find and profit from pricing differences that occur over time. Natural gas is typically purchased and held in storage during the summer months and sold during the winter months. Although we intend to fund natural gas purchases with cash generated from operations, from time to time we may need to finance the purchase of natural gas to be held in storage with borrowings from our current credit facilities. We intend to repay these borrowings with cash generated from operations when the gas is sold.

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 successful integration of our acquisitions, including the recently acquired HPL System and the Titan acquisition, and other factors.

Operating Activities. Cash provided by operating activities during the nine months ended May 31, 2006, was $527.8 million as compared to cash provided by operating activities of $295.7 million for the nine months ended May 31, 2005. The net cash provided by operations for the nine months ended May 31, 2006 consisted of net income of $482.5 million, non-cash charges of $94.5 million, principally depreciation and amortization, stock based compensation expense, and deferred taxes, and operating funds used of $49.2 million which decreased components of working capital. Various components of working capital 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 transportation and storage operations. Accounts receivable and accounts payable both decreased during the nine months ended May 31, 2006 due to decreases in the volumes and prices in the midstream segment. Accrued liabilities increased significantly during the nine months ended May 31, 2006, due to the declaration of the Partnership's quarterly distribution of $0.6375 per Limited Partner Unit prior to the close of the quarter, which is payable July 14, 2006.

Investing Activities. Cash used in investing activities during the nine months ended May 31, 2006 of $522.3 million is comprised of cash paid for acquisitions of $35.9 million and $510.6 million invested for maintenance and growth capital expenditures needed to sustain operations at current levels and to support growth of operations. Cash used in investing activities was offset by proceeds from the sale of idle property of $4.5 million and cash received for a working capital settlement on the HPL acquisition of $19.6 million. The cash paid for acquisitions included $16.6 million paid for the acquisition of the 2% remaining interests in the HPL System and $0.5 million for the remaining interests in the Dorado System, each of which we did not previously own, and cash paid for retail propane acquisitions of $18.8 million. In addition to cash paid for acquisitions, we also issued $4.0 million of Common Units in connection with a specific propane acquisition.

Financing Activities. Cash used in financing activities during the nine months ended May 31, 2006 was $3.7 million. Cash used during the period primarily reflects $235.9 million of distributions by us to our Common Unitholders and to our General Partner's for its 2% interest and for its incentive distributions. Our debt increased $98.4 million to fund capital expenditures, which increase primarily consisted of the advances on the Revolving Credit Facility, offset by debt reduction from unit issuances and other scheduled debt payments in the normal course of business. The debt reduction was primarily funded through the sale of 1,069,850 Limited Partner Units and 2,570,150 Class F Units to ETE for which we received net proceeds of $132.4 million. Our General Partner contributed $2.7 million in connection with the sale of Limited Partner Units to us in order to maintain its 2% ownership in us during the nine months ended May 31, 2006. We also paid other financing costs of $1.3 million during the nine months ended May 31, 2006.

Financing and Sources of Liquidity

Description of Indebtedness

The Partnership's indebtedness 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 and a Revolving Credit Facility that allows for borrowings of up to $900.0 million through December 10, 2010 (increased to $1.3 billion on June 29 2006, as discussed below) and a $250.0 million Revolving Credit Facility that matures on December 1, 2006. We also currently maintain a separate working capital facility for HOLP. The terms of our indebtedness and our Operating Partnerships are described in more detail in the Partnership's Annual Report on Form 10-K for fiscal 2005, as amended on Form 10-K/A as filed with the Securities and Exchange Commission on November 14, 2005, and December 12, 2005, respectively.

Energy Transfer Partners Facilities

On December 13, 2005, we entered into a $900.0 million Revolving Credit Facility which is available through December 10, 2010, which replaced our previous revolving credit facility. The Revolving Credit Facility includes an accordion feature of $100.0 million. On May 16, 2006, we exercised the accordion feature which increased the revolver capacity to $1.0 billion. Amounts borrowed under the Revolving Credit Facility bear interest at a rate based on either a Eurodollar rate or a prime rate. The Revolving Credit Facility also offers a Swingline loan option with the maximum borrowing of $50.0 million at a daily rate based on LIBOR. The maximum commitment fee payable on the unused portion of the facility is 0.25%. The amount outstanding was $350.0 million as of May 31, 2006. As of May 31, 2006, the Swingline option had $30.6 million outstanding and there were letters of credit of $15.4 million under the Revolving Credit Facility. The weighted average interest rate on the total amount outstanding at May 31, 2006, was 5.42%. The total

amount available under the Revolving Credit Facility Agreement, as of May 31, 2006, which is reduced by any amounts outstanding under the Swingline loan and letters of credit, was $604.0 million. The Revolving Credit Facility was amended on June 29, 2006 to increase the facility to $1.3 billion (the "Amended and Restated Revolving Credit Facility"), which is expandable to $1.5 billion, and extend the maturity date to June 29, 2011. Under this amendment, the Swingline loan option increased to a maximum borrowing of $75.0 million. The maximum commitment fee payable on the unused portion of the Amended and Restated Credit Facility is 0.175%. The Amended and Restated Revolving Credit Facility is fully and unconditionally guaranteed by ETC OLP and all of the direct and indirect wholly-owned subsidiaries of ETC OLP, and Titan Energy Partners, L.P. and its wholly-owned subsidiaries. The Revolving Credit Facility is unsecured and has equal rights to holders of the Partnership's other current and future unsecured debt.

On May 31, 2006, we entered into a $250.0 million Revolving Credit Facility which matures on December 1, 2006. Amounts borrowed under this facility will bear interest at a rate based on either a Eurodollar rate or a base rate. There were no amounts outstanding on this facility as of May 31, 2006. The proceeds are intended to be used for working capital purposes. The maximum commitment fee payable on the unused portion of the facility is .25%. The $250.0 million Revolving Credit Facility is fully and unconditionally guaranteed by ETC OLP and all of the direct and indirect wholly-owned subsidiaries of ETC OLP. The $250.0 million Revolving Credit Facility is unsecured and has equal rights to holders of the Partnership's other current and future unsecured debt. On July 3, 2006, we reduced our borrowing capacity on the Revolving Credit Facility to $200.0 million. All terms, and maturity date, as mentioned above remain unchanged.

HOLP Facilities

Effective September 1, 2005, HOLP entered into the Second Amendment to the Third Amended and Restated Credit Agreement. The amendment states that in no event shall the Letter of Credit Exposure exceed $15.0 million at any time. All of the remaining terms, provisions and conditions of the existing Credit Agreement continue in full force and effect as within the March 31, 2004 Third Amended and Restated Credit Amendment noted below.

The Third Amended and Restated Credit Agreement includes a $75.0 million Senior Revolving Working Capital Facility available through December 31, 2006. Amounts borrowed under the Working Capital Facility bear interest at a rate based on either a Eurodollar rate or a prime rate. The maximum commitment fee payable on the unused portion of the facility is 0.50%. HOLP must reduce the principal amount of working capital borrowings to $10.0 million for a period of not less than 30 consecutive days at least one time during each fiscal year, which we complied with during the third quarter ended May 31, 2006. All receivables, contracts, equipment, inventory, general intangibles, cash concentration accounts, and the capital stock of HOLP's subsidiaries secure the Senior Revolving Working Capital Facility. As of May 31, 2006, the Senior Revolving Working Capital Facility did not have a balance outstanding. There outstanding Letters of Credit for the Senior Revolving Working Capital Facility of $6.1 million at May 31, 2006. Letter of Credit exposure plus the Working Capital Loan cannot exceed the $75.0 million maximum Working Capital Facility.

During the second quarter of fiscal year 2006 HOLP used proceeds received from the sale of Common and Class F Units to ETE to extinguish the outstanding debt on a $75.0 million Senior Revolving Acquisition Facility, used for acquisitions of propane-related businesses, and cancelled this facility. Amounts borrowed under the Acquisition Credit Facility bore interest at a rate based on either a Eurodollar rate or a prime rate. All receivables, contracts, equipment, inventory, general intangibles, cash concentration accounts of HOLP and the capital stock of HOLP's subsidiaries secured the Senior Revolving Acquisition Facility. HOLP will obtain funds for making acquisitions from the revenues generated from its operations and the operations of it subsidiaries, and from contributions from the Partnership, subject to limitations in the ETP Revolving Credit Facility. Pursuant to the Partnership's Revolving Credit Facility, a maximum of $100.0 million per year may be contributed to HOLP annually from funds received in equity offerings of the Partnership. As of May 31, 2006, $75.0 million has been contributed to HOLP under this arrangement.

Cash Distributions

We will use our cash provided by operating and financing activities from the Operating Partnerships to provide distributions to our Unitholders. Under the Partnership Agreement, we will distribute to our partners an amount equal to all of our Available Cash for such quarter within 45 days after the end of each fiscal 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. Our commitment to our Unitholders is to distribute the increase in our cash flow while maintaining prudent reserves for the Partnership's operations. On October 14, 2005, we paid a quarterly distribution of $0.50 per unit, or $2.00 per unit annually to Unitholders of record as of the close of business on September 30, 2005. This distribution represented an increase of $0.05 per unit on an annualized basis over the distribution paid for the third quarter of fiscal 2005. On January 13, 2006, we paid a cash distribution of $0.55 per unit, or $2.20 per unit annually to Unitholders of record as of the close of business on January 4, 2006. On April 14, 2006, we paid a quarterly distribution of $0.5875 per Limited Partner Unit, or $2.35 per unit annually, an increase of $0.15 per Limited Partner Unit on an annualized basis, to Unitholders of record at the close of business on March 24, 2006. On May 1, 2006, pursuant to its General Partner authority, the Partnership Agreement was amended to permit the General Partner to declare the next quarterly distribution prior to the close of such quarter. On May 8, 2006, we declared and accrued a cash distribution of $0.6375, or $2.55 per unit annually, a $0.20 increase per Limited Partner Unit, for the third quarter ended May 31, 2006, that will be paid on July 14, 2006 to Unitholders of record at the close of business on June 30, 2006. The current distribution includes incentive distributions payable to the General Partner to the extent the quarterly distribution exceeds $0.275 per unit (an annualized rate of $1.10). As of May 31, 2006, in accordance with generally accepted accounting principles, an accrued liability of $100.7 million for the July payment was recorded in our consolidated balance sheet. On June 20, 2006, we announced that the Board of Directors of our general partner declared a special distribution of $0.0325 per unit related to the proceeds received by us in connection with the SCANA litigation settlement. This distribution will be paid on July 14, 2006 to the holders of record of the Partnership's Common and Class F Units as of the close of business on June 30, 2006, at the same time the third quarterly distribution is paid. This special one-time payment was approved following a determination by the Litigation Committee of the General Partner to distribute all of the net distributable litigation proceeds received by us in accordance with the Partnership Agreement. The distribution of the net distributable litigation proceeds also includes a payment to the holder of our Class C Units for that amount normally allocated to the General Partner, which will be approximately $3.6 million. Upon making the payment to the holders of the Class C Units, all 1,000,000 outstanding Class C Units will be retired and canceled.

New Accounting Standards

FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations ("FIN 47*"). In March 2005, the Financial Accounting Standards Board ("FASB") published FIN 47. This interpretation clarified that the term "conditional asset retirement obligation" as used in SFAS No. 143, *Accounting for Asset Retirement Obligations ("SFAS 143*"), refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement of the obligation are uncertain. These conditional obligations were not previously addressed by SFAS 143. FIN 47 will require the Partnership to accrue the fair value of a liability for the conditional asset retirement obligation when incurred – generally upon acquisition, construction or development and/or through the normal operation of the asset. Uncertainty about the timing and/or method of settlement of a conditional asset retirement should be factored into the measurement of the liability when a range of scenarios can be determined. FIN 47 clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. Management intends to adopt FIN 47 no later than the end of the fiscal year ending August 31, 2006, and does not expect the adoption to have a material impact on our consolidated results of operations, cash flows or financial position.

SFAS No. 154, Accounting *Changes and Error Correction – a replacement of APB Opinion No. 20 and FASB Statement No. 3. ("SFAS 154")* In May 2005, the FASB issued SFAS 154 which requires that the direct effect of voluntary changes in accounting principle be applied retrospectively with all prior period financial statements presented on the new accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. Indirect effects of a change should be recognized in the period of the change. SFAS 154 is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. We will adopt the provisions of SFAS 154 as applicable when required.

EITF Issue No. 04-05, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights ("EITF 04-05")*. EITF 04-05 provides guidance in determining whether a general partner controls a limited partnership by determining the limited partners' substantive ability to dissolve (liquidate) the limited partnership as well as assessing the substantive participating rights of the limited partners within the limited partnership. EITF 04-05 states that if the limited partners do not have substantive ability to dissolve (liquidate) or have substantive participating rights, the general partner is presumed to control that partnership and would be required to consolidate the limited partnership. This EITF is effective in fiscal periods beginning after December 15, 2005. Although this EITF does not directly impact

us, it could potentially impact our general partner. We are currently reviewing the potential impact of EITF 04-05 on our general partner.

EITF Issue No. 04-13, *Accounting for Purchases and Sales of Inventory With the Same Counterparty ("EITF 04-13")*. EITF 04-13 In EITF 04-13, the Task Force reached a tentative conclusion that inventory purchases and sales transactions with the same counterparty that are entered into in contemplation of one another should be combined for purposes of applying Accounting Principles Board Opinion No. 29, "Accounting for Nonmonetary Transactions." The tentative conclusions reached by the Task Force are required to be applied to transactions completed in reporting periods beginning after March 15, 2006. The adoption of this EITF will not have a material impact on our results of operations, financial position or cash flows.

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, 2005, as amended on Form 10-K/A as filed with the Securities and Exchange Commission on November 14, 2005, and December 12, 2005, respectively, in addition to the interim unaudited 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 at May 31, 2006:

	Commodity	Notional Volume MMBTU	Maturity	Fair Value
Mark to Market Derivatives				
(Non-Trading)				
Basis Swaps IFERC/NYMEX	Gas	(568,860)	2006-2009	$ (6,944)
Swing Swaps IFERC	Gas	(60,255,375)	2006-2008	$ (3,009)
Fixed Swaps/Futures	Gas	(2,200,000)	2006-2007	$ 8,444
Options	Gas	(1,230,000)	2006-2008	$ 22,799
Forward Physical Contracts	Gas	(10,010,000)	2006-2008	$ (22,799)
(Trading)				
Basis Swaps IFERC/NYMEX	Gas	6,715,000	2006-2008	$ 26,154
Fixed Swaps/Futures	Gas	(7,500,000)	2006	$ 1,068
Forward Physical Contracts	Gas	(770,000)	2006	$ (252)
Cash Flow Hedging Derivatives				
(Non-Trading)				
Fixed Price Swap	Gas	(48,940,000)	2006-2007	$ 57,139
Basis Swaps IFERC/NYMEX	Gas	(44,922,500)	2006-2007	$ (12,771)

Credit Risk

We maintain credit policies with regard to our counterparties that we believe significantly minimize 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 ("LDCs"). 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, we do 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, 2006. 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	(51,140,000)	$ 65,583	$ 47,197
Basis Swaps IFERC/NYMEX	(45,491,360)	$(19,715)	$ 3,114
Options	(1,230,000)	$ 22,799	$ 6,477
Swing Swaps IFERC	(60,255,375)	$ (3,009)	$ 687
Forward Physical Contracts	(10,010,000)	$(22,799)	$ 6,477
Trading Derivatives:			
Basis Swaps IFERC/NYMEX	6,715,000	$ 26,154	$ 1,013
Fixed Swaps/Futures	(7,500,000)	$ 1,068	$ 4,444
Forward Physical Contracts	(770,000)	$ (252)	$ 776

Interest Rate Risk

We are exposed to changes in interest rates, primarily as a result of our variable rate debt and, in particular, our revolving credit facility. To the extent interest rates increase, our interest expense for our revolving debt will also increase. At May 31, 2006, we had $380.6 million of variable rate debt outstanding that is not hedged. A hypothetical change of 100 basis points in the underlying interest rate would have an effect of $3.8 million in increased interest expense on an annual basis.

Treasury locks with a notional amount of $300.0 million were outstanding as of May 31, 2006 and had a fair value of $16.0 million which was recorded as a component of price risk management assets on the condensed consolidated balance sheet. A hypothetical change of 100 basis points on the underlying interest rates of the treasury locks outstanding at May 31, 2006 would have an effect of $22.0 million on the value of the locks. Interest rate swaps with a notional amount of $200.0 million were also outstanding as of May 31, 2006 and had a fair value of $6.4 million. A hypothetical change of 100 basis points on the underlying interest rates of the interest rate swaps outstanding as of May 31, 2006 would have an effect of $10.9 million on the value of the swaps.

We also have long-term debt instruments which are typically issued at fixed interest rates. Prior to or when these debt obligations mature, we may refinance all or a portion of such debt at then-existing market interest rates which may be more or less than the interest rates on the maturing debt.

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, 2006. 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.

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, 2006 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

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PART II OTHER INFORMATION

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 Heritage Propane Partners, L.P.
(8)	3.1.1	Amendment No. 1 to Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P.
(13)	3.1.2	Amendment No. 2 to Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P.
(16)	3.1.3	Amendment No. 3 to Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P.
(16)	3.1.4	Amendment No. 4 to Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P.
(21)	3.1.5	Amendment No. 5 to Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P.
(21)	3.1.6	Amendment No. 6 to Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P.
(34)	3.1.7	Amendment No. 7 to Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P.
(35)	3.1.8	Amendment No. 8 to Amended and Restated Agreement of Limited Partnership of Heritage Propane 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.
(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.

	Exhibit Number	Description
(38)	4.6	Notation of Guaranty.
(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.
(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.
(21)	10.2.8	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.
(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.
(25)	**10.6.4	2004 Unit Plan.
(26)	**10.6.5	Form of Grant Agreement.
(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.

	Exhibit Number	Description
(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.
(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.

	Exhibit Number	Description
(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.
(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.
(43)	**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.
(*)	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.
(*)	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.
(*)	10.50	Guarantee for the Amended and Restated Credit Agreement dated as of June 29, 2006.
(43)	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 Executive 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 Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
(46)	99.1	Financial Statements of Energy Transfer Partners GP, L.P. as of May 31, 2006
(46)	99.2	Financial Statements of Energy Transfer Partners, L.L.C. as of May 31, 2006

* 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.
(38) Incorporated by reference to Exhibit 10.46 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 the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended May 31, 2006.

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, 2006

By: /s/ H. Michael Krimbill
H. Michael Krimbill
(President and officer duly authorized to sign on behalf of the registrant)

Exhibit 10.48

CUSIP Number: 29273SAC1

Execution Copy

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

$250,000,000 Revolving Credit Facility

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CREDIT AGREEMENT

This CREDIT AGREEMENT ("Agreement") is entered into as of May 31, 2006, among ENERGY TRANSFER PARTNERS, L.P., a Delaware limited partnership (the "Borrower"), CREDIT SUISSE, CAYMAN ISLANDS BRANCH, as Administrative Agent, each lender from time to time party hereto (collectively, the "Lenders" and individually, a "Lender"), and CREDIT SUISSE SECURITIES (USA) LLC and BANC OF AMERICA SECURITIES LLC, as Joint Lead Arrangers and Co-Documentation and Syndication Agents.

In consideration of the mutual covenants and agreements contained herein and in consideration of the loans which may hereafter be made by Lenders to the Borrower, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I.
DEFINITIONS AND ACCOUNTING TERMS

1.01 Defined Terms. As used in this Agreement, the following terms shall have the meanings set forth below and capitalized terms used herein without definition shall have the same meanings herein as set forth in the Other Credit Agreement (as defined herein) and, subject to the provisions of Section 1.02, such terms are incorporated herein by reference as if fully set forth herein:

"Administrative Agent" means Credit Suisse, Cayman Islands Branch, in its capacity as administrative agent for the Lenders hereunder.

"Administrative Agent's Office" means the Administrative Agent's address and, as appropriate, account as set forth on Schedule 10.02, or such other address or account as the Administrative Agent may from time to time notify to the Borrower and the Lenders.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Aggregate Commitments" means the Commitments of all the Lenders. The initial amount of the Aggregate Commitments is $250,000,000, subject to optional reductions pursuant to Section 2.16.

"Agreement" means this Credit Agreement, as amended or supplemented from time to time in accordance with the terms hereof.

"Applicable Percentage" means with respect to any Lender, the percentage of the Aggregate Commitments represented by such Lender's Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments.

"Approved Fund" means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"Assignment and Assumption" means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 10.06(b)), and accepted by the Administrative Agent, in substantially the form of Exhibit A or any other form approved by the Administrative Agent.

"Base Rate Loan" means a Loan or portion of a Loan that bears interest based on the Base Rate.

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

"Borrowing" means Loans of the same Type, made, Converted or Continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, the state where the Administrative Agent's Office is located and, if such day relates to any Eurodollar Loan, means any such day on which dealings in Dollar deposits are conducted by and between banks in the London interbank eurodollar market.

"Change in Law" means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental Authority or (c) the making or issuance of any request, guideline or directive (whether or not having the force of law) by any Governmental Authority.

"Closing Date" means the first date all the conditions precedent in Section 4.01 and Section 4.02 are satisfied or waived in accordance with Section 10.01.

"Commitment" means, as to each Lender, its obligation to make Loans to the Borrower pursuant to Section 2.01, in an aggregate principal amount at any one time outstanding not to exceed the Commitment amount set forth opposite such Lender's name on Schedule 1 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable, as such amount may be adjusted from time to time in accordance with this Agreement.

"Commitment Period" means the period from and including the Closing Date to the earliest of (a) the Maturity Date, (b) the date of termination of the Aggregate Commitments pursuant to Section 2.06 or 2.16, and (c) the date of termination of the Commitment of each Lender to make Loans pursuant to Section 8.02.

"Credit Extension" means a Borrowing.

"Eligible Assignee" means (a) a Lender; (b) an Affiliate of a Lender; (c) an Approved Fund; and (d) any other Person (other than a natural person) approved by (i) the Administrative Agent, and (ii) unless an Event of Default has occurred and is continuing, the Borrower (each such approval not to be unreasonably withheld or delayed); provided that notwithstanding the foregoing, "Eligible Assignee" shall not include the Borrower or any of the Borrower's Affiliates or Subsidiaries.

"Eurodollar Loan" means a Loan or portion of a Loan that bears interest at a rate based on the Eurodollar Rate.

"Excluded Taxes" means, with respect to the Administrative Agent, any Lender, or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable Lending Office is located, (b) any branch profits taxes imposed by the United States or any similar tax imposed by any other jurisdiction in which the Borrower is located and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 10.13), any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party hereto (or designates a new Lending Office) or is attributable to such Foreign Lender's failure or inability (other than as a result of a Change in Law) to comply with Section 3.01(e), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new Lending Office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 3.01(a).

"Facility Usage" means, at the time in question, the aggregate amount of outstanding Loans at such time.

"Foreign Lender" means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is resident for tax purposes. For purposes of this definition, the United States, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"Guarantors" means any Subsidiary of the Borrower that now or hereafter executes and delivers a Guaranty to the administrative agent under the Other Credit Agreement pursuant to Section 6.11 of the Other Credit Agreement or that would have been required to deliver a Guaranty pursuant to such provision but for the fact that the Other Credit Agreement no longer remains in effect.

"Guaranty" means, collectively, one or more Guarantees of the Obligations made by the Guarantors in favor of the Administrative Agent and the Lenders, substantially in the form of Exhibit C to the Other Credit Agreement, including any supplements to an existing Guaranty in substantially the form that is a part of such Exhibit C.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Indemnitees" has the meaning given to such term in Section 10.04(b).

"Lender" has the meaning given to such term in the introductory paragraph hereto.

"Lending Office" means, as to any Lender, the office or offices of such Lender described as such in such Lender's Administrative Questionnaire, or such other office or offices as a Lender may from time to time notify the Borrower and the Administrative Agent.

"Loan" means a Loan made pursuant to Section 2.01; and "Loans" means all loans made by the Lenders to the Borrower pursuant to this Agreement.

"Loan Documents" means this Agreement, each Note, each Guaranty and all other agreements, certificates, documents, instruments and writings at any time delivered in connection herewith or therewith (exclusive of term sheets and commitment letters).

"Loan Notice" means a notice of (a) a Borrowing, (b) a Conversion of Loans from one Type to the other, pursuant to Section 2.04, or (c) a Continuation of Eurodollar Loans, pursuant to Section 2.04, which, if in writing, shall be substantially in the form of Exhibit B.

"Majority Lenders" means, as of any date of determination, Lenders having more than 50% of the Aggregate Commitments or, if the Commitment of each Lender to make Loans have been terminated pursuant to Section 8.02, Lenders holding in the aggregate more than 50% of the Facility Usage.

"Material Adverse Effect" means a material adverse effect on (i) the financial condition, operations, properties or prospects of the Borrower and its Restricted Subsidiaries, taken as a whole, or (ii) the ability of the Borrower to perform its obligations under this Agreement and the Notes or the ability of the Restricted Subsidiaries, taken as a whole, to perform their respective obligations under the Guaranty, or (iii) the validity or enforceability of this Agreement, the Guaranty or the Notes.

"Maturity Date" means December 1, 2006.

"Note" means a promissory note made by the Borrower in favor of a Lender evidencing Loans made by such Lender, substantially in the form of Exhibit C.

"Obligations" means all advances to, and debts, liabilities, obligations, covenants and duties of, any Restricted Person, arising under any Loan Document or otherwise with respect to any Loan, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against any Restricted Person or any Affiliate thereof of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

"Other Credit Agreement" means that certain Credit Agreement dated as of December 12, 2005, among 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, Credit Suisse, Cayman Islands Branch, Deutsche Bank AG, New York Branch, and UBS Securities LLC, as senior managing agents, Fortis Capital Corp., SunTrust Bank, and Wells Fargo, N.A., as managing agents, Wachovia Capital Markets, LLC, as sole lead arranger and sole book manager, and a syndicate of lenders party thereto, as amended or supplemented from time to time in accordance with the terms thereof.

"Other Taxes" means all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or under any other Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

"Participant" has the meaning given to such term in Section 10.06(d).

"Prime Rate" means the rate of interest per annum publicly announced from time to time by Credit Suisse as its prime rate in effect at its principal office in New York City. Each change in the Prime Rate shall be effective as of the opening of business on the date such change is announced as being effective. The Prime Rate is a reference rate and does not necessarily represent the lowest or best rate actually available.

"Register" has the meaning given to such term in Section 10.06(c).

"Request for Credit Extension" means with respect to a Borrowing, Conversion or Continuation of Loans, a Loan Notice.

1.02 Incorporation by Reference from the Other Credit Agreement; Interpretive Provisions. Provisions herein that incorporate by reference terms and provisions of the Other Credit Agreement adopt such terms and/or provisions as if fully set forth herein and such incorporation by reference shall govern and remain in effect until the Commitments have been terminated and the Obligations indefeasibly paid in full, regardless of whether or not the Other Credit Agreement remains in effect and shall survive termination of the commitments under the Other Credit Agreement and the repayment, satisfaction or discharge of the obligations thereunder; provided however that when used herein the term "Eurodollar Rate" shall be modified with the effect that the rate quotations for interest rates applicable to dollar deposits in the London interbank market shall be selected by reference to the British Bankers' Association Interest Settlement Rates for deposits in dollars. The provisions set forth in the Other Credit Agreement corresponding to Sections 1.02 through 1.05 and 2.14, Article III, Article IX, and Sections 10.02 through 10.05 and 10.07 through 10.13 are incorporated herein by reference as if fully set forth herein and shall be interpreted, construed and applied in accordance with the following: (i) any capitalized terms contained therein that are defined in Section 1.01 hereof shall have the meaning assigned hereby; (ii) references to the term "Revolving Credit Loan" shall be deemed to be references to the term "Loan" as defined herein; (iii) references to the following defined terms, and the operative provisions relating thereto, shall be deemed to have been omitted: "Cash Collateralize," "Fee Letter," "Issuer Documents," "LC Collateral," "LC Credit Extension," "LC Issuer," "LC Obligations," "Letter of Credit," "Letter of Credit Application,"

"LIBOR Reference Rate," "Matured LC Obligations," "Swingline Commitment," "Swingline Lender" and "Swingline Loan"; and (iv) references to Schedule 1 and Schedule 10.02 shall be deemed to be references to Schedule 1 and Schedule 10.02 annexed to this Agreement. References in the Other Credit Agreement to Wachovia Bank, National Association shall be deemed to refer herein to Credit Suisse, Cayman Islands Branch. No amendment or modification of the Other Credit Agreement or waiver in respect of the provisions thereof shall be effective with respect to the terms hereof (including any term incorporated by reference herein) unless such amendment, modification or waiver is separately consented to by Majority Lenders or all Lenders as required under Section 10.01.

ARTICLE II.
THE COMMITMENTS AND CREDIT EXTENSIONS

2.01 Loans. Subject to the terms and conditions hereof, each Lender agrees to make Loans ("Loans") to the Borrower upon the Borrower's request from time to time during the Commitment Period, provided that (a) subject to Sections 3.03, 3.04 and 3.06, all Lenders are requested to make Loans of the same Type in accordance with their respective Applicable Percentages and as part of the same Borrowing, and (b) after giving effect to such Loans, the Facility Usage does not exceed the Aggregate Commitments, and the Loans of any Lender do not exceed such Lender's Commitment. The aggregate amount of all Loans that are Base Rate Loans in any Borrowing must be equal to $5,000,000 or any higher integral multiple of $1,000,000. The aggregate amount of all Eurodollar Loans in any Borrowing must be equal to $5,000,000 or any higher integral multiple of $1,000,000. The Borrower may have no more than twelve (12) Borrowings of Eurodollar Loans outstanding at any time. Subject to the terms and conditions of this Agreement, the Borrower may borrow, repay, and reborrow under this Section 2.01.

2.02 [Intentionally Omitted]

2.03 Requests for New Loans. The Borrower must give to the Administrative Agent written notice (or telephonic notice promptly confirmed in writing) of any requested Borrowing of Loans to be funded by Lenders. Each such notice constitutes a "Loan Notice" hereunder and must:

(a) specify (i) the aggregate amount of any such Borrowing of Base Rate Loans and the date on which such Base Rate Loans are to be advanced, or (ii) the aggregate amount of any such Borrowing of Eurodollar Loans, the date on which such Eurodollar Loans are to be advanced (which shall be the first day of the Interest Period which is to apply thereto), and the length of the applicable Interest Period; and

(b) be received by the Administrative Agent not later than 11:00 a.m. on (i) the day on which any such Base Rate Loans are to be made, or (ii) the third Business Day preceding the day on which any such Eurodollar Loans are to be made.

Each such written request or confirmation must be made in the form and substance of the Loan Notice, duly completed. Each such telephonic request shall be deemed a representation,

warranty, acknowledgment and agreement by the Borrower as to the matters which are required to be set out in such written confirmation. Upon receipt of any such Loan Notice, the Administrative Agent shall give each Lender prompt notice of the terms thereof. If all conditions precedent to such new Loans have been met, each Lender will on the date requested promptly remit to the Administrative Agent at the Administrative Agent's Office the amount of such Lender's Loan in immediately available funds, and upon receipt of such funds, unless to its actual knowledge any conditions precedent to such Loans have been neither met nor waived as provided herein, the Administrative Agent shall promptly make such Loans available to the Borrower.

2.04 Continuations and Conversions of Existing Loans. The Borrower may make the following elections with respect to Loans already outstanding: to Convert, in whole or in part, Base Rate Loans to Eurodollar Loans, to Convert, in whole or in part, Eurodollar Loans to Base Rate Loans on the last day of the Interest Period applicable thereto, and to Continue, in whole or in part, Eurodollar Loans beyond the expiration of such Interest Period by designating a new Interest Period to take effect at the time of such expiration. In making such elections, the Borrower may combine existing Loans made pursuant to separate Borrowings into one new Borrowing or divide existing Loans made pursuant to one Borrowing into separate new Borrowings, provided, that (i) the Borrower may have no more than twelve (12) Borrowings of Eurodollar Loans outstanding at any time, (ii) the aggregate amount of all Base Rate Loans in any Borrowing must be equal to $1,000,000 or any higher integral multiple of $500,000, and (iii) the aggregate amount of all Eurodollar Loans in any Borrowing must be equal to $5,000,000 or any higher integral multiple of $1,000,000. To make any such election, the Borrower must give to the Administrative Agent written notice (or telephonic notice promptly confirmed in writing) of any such Conversion or Continuation of existing Loans, with a separate notice given for each new Borrowing. Each such notice must:

(a) specify the existing Loans which are to be Continued or Converted;

(b) specify (i) the aggregate amount of any Borrowing of Base Rate Loans into which such existing Loans are to be Continued or Converted and the date on which such Continuation or Conversion is to occur, or (ii) the aggregate amount of any Borrowing of Eurodollar Loans into which such existing Loans are to be Continued or Converted, the date on which such Continuation or Conversion is to occur (which shall be the first day of the Interest Period which is to apply to such Eurodollar Loans), and the length of the applicable Interest Period; and

(c) be received by the Administrative Agent not later than 11:00 a.m. on (i) the day on which any such Conversion to Base Rate Loans is to occur, or (ii) the third Business Day preceding the day on which any such Continuation or Conversion to Eurodollar Loans is to occur.

Each such written request or confirmation must be made in the form and substance of the Loan Notice, duly completed. Each such telephonic request shall be deemed a representation, warranty, acknowledgment and agreement by the Borrower as to the matters which are required to be set out in such written confirmation. Upon receipt of any such Loan Notice, the Administrative Agent shall give each Lender prompt notice of the terms thereof. Each Loan

Notice shall be irrevocable and binding on the Borrower. During the continuance of any Default, the Borrower may not make any election to Convert existing Loans into Eurodollar Loans or Continue existing Loans as Eurodollar Loans beyond the expiration of their respective and corresponding Interest Period then in effect. If (due to the existence of a Default or for any other reason) the Borrower fails to timely and properly give any Loan Notice with respect to a Borrowing of existing Eurodollar Loans at least three days prior to the end of the Interest Period applicable thereto, such Eurodollar Loans, to the extent not prepaid at the end of such Interest Period, shall automatically be Converted into Base Rate Loans at the end of such Interest Period. No new funds shall be repaid by the Borrower or advanced by any Lender in connection with any Continuation or Conversion of existing Loans pursuant to this section, and no such Continuation or Conversion shall be deemed to be a new advance of funds for any purpose; such Continuations and Conversions merely constitute a change in the interest rate, Interest Period or Type applicable to already outstanding Loans.

2.05 Use of Proceeds. The Borrower shall use the proceeds of all Loans (a) for working capital purposes, (b) purchases of common Equity Interests of the Borrower, (c) acquisitions of assets or Equity Interests otherwise permitted under the terms of this Agreement, and (d) for general business purposes. No part of the proceeds of any Loan will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board of Governors of the Federal Reserve System, including Regulations T, U and X. The Borrower represents and warrants that the Borrower is not engaged principally, or as one of the Borrower's important activities, in the business of extending credit to others for the purpose of purchasing or carrying such margin stock.

2.06 Repayments and Prepayments of Loans. The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Loan on the Maturity Date. Prior thereto, the Borrower may, upon three Business Days' notice to the Administrative Agent (which notice shall be irrevocable, and the Administrative Agent will promptly give notice to the other Lenders), from time to time and without premium or penalty (other than Eurodollar Loan breakage costs, if any, pursuant to Section 3.05) prepay the Loans, in whole or in part, so long as the aggregate amounts of all partial prepayments of principal on the Loans equals $5,000,000 or any higher integral multiple of $1,000,000. The Borrower shall pay to the Administrative Agent for the account of the applicable Lenders, on the date of each prepayment of principal or commitment termination or reduction pursuant to this Section or Section 2.16, interest then accrued and unpaid on the principal so prepaid and commitment fees then accrued and unpaid on the amount of the Commitments so terminated or reduced. Any principal, interest or commitment fees prepaid pursuant to this section shall be in addition to, and not in lieu of, all payments otherwise required to be paid under the Loan Documents at the time of such prepayment.

In the event that the Borrower or any of its Subsidiaries receives proceeds of senior notes or senior subordinated notes issued pursuant to Section 7.01(c) of the Other Credit Agreement (or proceeds of other similar Indebtedness issued in the capital markets), the Borrower shall, substantially simultaneously with (and in any event not later than the third Business Day next following) the receipt of such proceeds, cause the Aggregate Commitments to be permanently reduced, in an amount equal to the cash proceeds of such debt issuance (net of all taxes and

reasonable and customary fees, commissions, costs and other expenses incurred by the issuer thereof in connection therewith); provided that, for the avoidance of doubt, the amount of the Aggregate Commitments shall not be reduced below zero.

In the event of a termination in whole of the Commitments, the Borrower shall, on the date of such termination, repay or prepay all its outstanding Loans. If as a result of any partial reduction of the Commitments the Facility Usage would exceed the Aggregate Commitments after giving effect thereto, the Borrower shall, on the date of such reduction, repay or prepay Loans in an amount sufficient to eliminate such excess.

Unless previously terminated in accordance with the terms hereof, the Commitments shall automatically terminate on the Maturity Date.

Each reduction in the Aggregate Commitments made pursuant to this Section or Section 2.16 shall be made ratably among the Lenders in accordance with their respective Applicable Percentages.

2.07 [Intentionally Omitted]

2.08 [Intentionally Omitted]

2.09 [Intentionally Omitted]

2.10 [Intentionally Omitted]

2.11 [Intentionally Omitted]

2.12 Interest Rates and Fees.

(a) Interest Rates. Interest accrued on each Loan shall be due and payable in arrears on each Interest Payment Date. Unless the Default Rate shall apply, (i) each Base Rate Loan shall bear interest on each day outstanding at the Base Rate plus the Applicable Rate for Base Rate Loans in effect on such day, and (ii) each Eurodollar Loan shall bear interest on each day during the related Interest Period at the related Eurodollar Rate plus the Applicable Rate for Eurodollar Loans in effect on such day. During a Default Rate Period, all Loans shall bear interest on each day outstanding at the applicable Default Rate. The interest rate shall change whenever the applicable Base Rate, the Eurodollar Rate or the Applicable Rate for Eurodollar Loans changes. In no event shall the interest rate on any Loan exceed the Maximum Rate.

(b) Commitment Fees. In consideration of each Lender's commitment to make Loans, the Borrower will pay to the Administrative Agent for the account of each Lender a commitment fee determined on a daily basis equal to the Applicable Rate for commitment fees in effect on such day times such Lender's Applicable Percentage of the unused portion of the Aggregate Commitments on each day during the Commitment Period, determined for each such day by deducting from the amount of the Aggregate Commitments at the end of such day the Facility Usage. This commitment fee shall be due and payable in arrears on the last day of each Fiscal Quarter and at the end of the Commitment Period.

(c) [Intentionally Omitted]

(d) Calculations and Determinations. All calculations of interest chargeable with respect to the Eurodollar Rate and of fees shall be made on the basis of actual days elapsed (including the first day but excluding the last) and a year of 360 days. All calculations under the Loan Documents of interest chargeable with respect to the Base Rate shall be made on the basis of actual days elapsed (including the first day but excluding the last) and a year of 365 or 366 days, as appropriate.

(e) Past Due Obligations. The Borrower hereby promises to each Lender to pay interest at the Default Rate on all Obligations (including Obligations to pay fees or to reimburse or indemnify any Lender) which the Borrower has in this Agreement promised to pay to such Lender and which are not paid when due. Such interest shall accrue from the date such Obligations become due until they are paid.

2.13 Evidence of Debt.

(a) Credit Extensions. The Credit Extensions made by each Lender shall be evidenced by one or more accounts or records maintained by such Lender and by the Administrative Agent in the ordinary course of business. The accounts or records maintained by the Administrative Agent and each Lender shall be conclusive absent manifest error of the amount of the Credit Extensions made by the Lenders to the Borrower and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrower hereunder to pay any amount owing with respect to the Obligations. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Administrative Agent in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error. Upon the request of any Lender made through the Administrative Agent, the Borrower shall execute and deliver to such Lender (through the Administrative Agent) a Note, which shall evidence such Lender's Loans in addition to such accounts or records. Each Lender may attach schedules to its Note and endorse thereon the date, Type (if applicable), amount and maturity of its Loans and payments with respect thereto.

(b) **[Intentionally Omitted]**

2.14 Payments Generally; Administrative Agent's Clawback.

[See Section 1.02]

2.15 Sharing of Payments by Lenders. If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of the Loans made by it, resulting in such Lender's receiving payment of a proportion of the aggregate amount of such Loans and accrued interest thereon greater than its pro rata share thereof as provided herein, then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans of the other Lenders, or make such other adjustments as shall be equitable, so that the

benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and other amounts owing them, provided that:

(a) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(b) the provisions of this Section shall not be construed to apply to (i) any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or (ii) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this Section shall apply).

Each Restricted Person consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Restricted Person rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Restricted Person in the amount of such participation.

2.16 Reductions in Commitment. The Borrower shall have the right from time to time to permanently reduce the Aggregate Commitments, provided that (i) notice of such reduction is given not less than two Business Days prior to such reduction, (ii) the resulting Aggregate Commitments are not less than the Facility Usage, and (iii) each partial reduction shall be in an amount at least equal to $5,000,000 and in multiples of $1,000,000 in excess thereof.

ARTICLE III.
TAXES, YIELD PROTECTION AND ILLEGALITY

[See Section 1.02]

ARTICLE IV.
CONDITIONS PRECEDENT TO CREDIT EXTENSIONS

4.01 Conditions of Initial Credit Extension. The obligation of each Lender to make its initial Credit Extension hereunder is subject to the Administrative Agent having received counterparts of this Agreement executed by the Borrower and each Lender, sufficient in number for distribution to the Administrative Agent, each Lender and the Borrower, together with all other items relating thereto of the type set forth in Section 4.01(a) of the Other Credit Agreement, each dated the Closing Date, provided that (i) in the case of certificates of governmental officials, such items may be dated a recent date (which may be up to 30 days prior to the Closing Date) before the Closing Date, (ii) the Compliance Certificate delivered in connection with closing under the Other Credit Agreement shall be sufficient to satisfy the requirements hereof, and (iii) delivery of the evidence of insurance delivered in connection with closing under the Other Credit Agreement shall be sufficient to satisfy the requirements hereof. The Borrower

shall have paid all fees, charges and disbursements of counsel to the Administrative Agent to the extent invoiced prior to or on the Closing Date, plus such additional amounts of such fees, charges and disbursements as shall constitute its reasonable estimate of such fees, charges and disbursements incurred or to be incurred by it through the closing proceedings (provided that such estimate shall not thereafter preclude a final settling of accounts between the Borrower and the Administrative Agent).

4.02 Conditions to all Credit Extensions. No Lender has any obligation to make any Loan (including its first) unless the following conditions precedent have been satisfied:

(a) The representations and warranties of the Borrower set forth in this Agreement shall be true and correct in all material respects on and as of the date of such Borrowing, provided, however, for purposes of this Section 4.02, (i) to the extent that such representations and warranties specifically refer to an earlier date, they shall be true and correct as of such earlier date, (ii) the representations and warranties contained in Section 5.06(a) of the Other Credit Agreement shall be deemed to refer to the most recent financial statements furnished pursuant to Section 6.02 of the Other Credit Agreement, and (iii) the representation and warranty contained in Section 5.06(b) of the Other Credit Agreement shall not need to be true and correct on any date that the Rating maintained by at least two of the Rating Agencies is BBB-/Baa3/BBB- or better; and

(b) At the time of and immediately after giving effect to such Borrowing, no Default shall have occurred and be continuing.

Each Borrowing shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section.

ARTICLE V.
REPRESENTATIONS AND WARRANTIES

The representations and warranties of the Borrower set forth in the Other Credit Agreement (including in Article V thereof) are incorporated herein by reference as if fully set forth herein. To confirm each Lender's understanding concerning Restricted Persons and Restricted Persons' businesses, properties and obligations and to induce each Lender to enter into this Agreement and to extend credit hereunder, the Borrower represents and warrants to each Lender that the representations and warranties of the Borrower set forth in the Other Credit Agreement (including in Article V thereof) are true and correct in all material respects, provided, however, (i) to the extent that such representations and warranties refer to the Closing Date under the Other Credit Agreement, they shall be true and correct as of the Closing Date hereunder, (ii) to the extent that any such representation or warranty specifically refers to a date earlier than the Closing Date under the Other Credit Agreement, it shall be true and correct as of such earlier date, and (iii) the representations and warranties contained in Section 5.06(a) of the Other Credit Agreement shall be deemed to refer to both the Initial Financial Statements and the most recent financial statements furnished pursuant to Section 6.02 of the Other Credit Agreement.

ARTICLE VI.
AFFIRMATIVE COVENANTS

The provisions of Article VI of the Other Credit Agreement are incorporated herein by reference as if fully set forth herein To conform with the terms and conditions under which each Lender is willing to have credit outstanding to the Borrower, and to induce each Lender to enter into this Agreement and extend credit hereunder, the Borrower covenants and agrees that, unless Majority Lenders or all Lenders as required under Section 10.01 have previously agreed otherwise, it shall be in compliance with all of the terms and conditions contained in Article VI of the Other Credit Agreement. Within ten Business Days after the Closing Date, Borrower shall deliver to the Administrative Agent a Guaranty executed by each Guarantor, sufficient in number for distribution to the Administrative Agent, each Lender and the Borrower, together with appropriate corporate authorizations, organizational documentation, officers certificates, good standing certificates and legal opinions of the type described in Section 4.01. Subsidiaries of the Borrower shall become Guarantors of the Obligations to the same extent that such Subsidiaries are required to deliver Guarantees to the administrative agent pursuant to Section 6.11 of the Other Credit Agreement or would have been so required if the Other Credit Agreement were in effect, regardless of whether or not the Other Credit Agreement in fact remains in effect.

ARTICLE VII.
NEGATIVE COVENANTS

The provisions of Article VII of the Other Credit Agreement are incorporated herein by reference as if fully set forth herein To conform with the terms and conditions under which each Lender is willing to have credit outstanding to the Borrower, and to induce each Lender to enter into this Agreement and extend credit hereunder, the Borrower covenants and agrees that, unless Majority Lenders or all Lenders as required under Section 10.01 have previously agreed otherwise, it shall be in compliance with all of the terms and conditions contained in Article VII of the Other Credit Agreement.

ARTICLE VIII.
EVENTS OF DEFAULT AND REMEDIES

8.01 Events of Default. Failure to deliver Guarantees in accordance with the terms of Article VI and each of the events set forth in Section 8.01 of the Other Credit Agreement constitutes an Event of Default under this Agreement (each an "Event of Default") and the provisions of such Section 8.01 are incorporated herein by reference as if fully set forth herein.

8.02 Remedies Upon Event of Default. If any Event of Default occurs and is continuing, the Administrative Agent shall, at the request of, or may, with the consent of, the Majority Lenders, take any or all of the following actions:

(a) declare the commitment of each Lender to make Loans to be terminated, whereupon such commitments shall be terminated;

(b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower; and

(c) [Intentionally Omitted]

(d) exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Loan Documents;

provided, however, that upon the occurrence of an Event of Default described in subsections (j)(i), (j)(ii) or (j)(iii) of Section 8.01 of the Other Credit Agreement, the obligation of each Lender to make Loans shall automatically terminate, and the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable, in each case without further act of the Administrative Agent or any Lender.

8.03 Application of Funds. After the exercise of remedies provided for in Section 8.02 (or after the Loans have automatically become immediately due and payable as set forth in the proviso to Section 8.02), any amounts received on account of the Obligations shall be applied by the Administrative Agent in the following order:

First, to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (including fees, charges and disbursements of counsel to the Administrative Agent and amounts payable under Article III) payable to the Administrative Agent in its capacity as such;

Second, to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal and interest) payable to the Lenders (including fees, charges and disbursements of counsel to the respective Lenders (including fees and time charges for attorneys who may be employees of any Lender) and amounts payable under Article III), ratably among them in proportion to the amounts described in this clause Second payable to them;

Third, to payment of that portion of the Obligations constituting accrued and unpaid interest on the Loans and other Obligations, ratably among the Lenders in proportion to the respective amounts described in this clause Third payable to them;

Fourth, to payment of that portion of the Obligations constituting unpaid principal of the Loans and other Obligations, ratably among the Lenders in proportion to the respective amounts described in this clause Fourth held by them; and

Last, the balance, if any, after all of the Obligations have been indefeasibly paid in full, to the Borrower or as otherwise required by Law.

ARTICLE IX.
ADMINISTRATIVE AGENT

[See Section 1.02]

ARTICLE X.
MISCELLANEOUS

10.01 Amendments, Etc. No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by the Borrower or any other Restricted Person therefrom, shall be effective unless in writing signed by the Majority Lenders and the Borrower or the applicable Restricted Person, as the case may be, and acknowledged by the Administrative Agent, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such amendment, waiver or consent shall:

(a) waive any condition set forth in Section 4.01(a) without the written consent of each Lender;

(b) extend or increase the Commitment of any Lender (or reinstate any Commitment terminated pursuant to Section 8.02) without the written consent of such Lender;

(c) postpone any date fixed by this Agreement or any other Loan Document for any payment of principal, interest, fees or other amounts due to the Lenders (or any of them) hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby;

(d) reduce the principal of, or the rate of interest specified herein on, any Loan, or any fees or other amounts payable hereunder or under any other Loan Document, or change the manner of computation of any financial ratio (including any change in any applicable defined term) used in determining the Applicable Leverage Level that would result in a reduction of any interest rate on any Loan or any fee payable hereunder without the written consent of each Lender directly affected thereby; provided, however, that only the consent of the Majority Lenders shall be necessary to amend the definition of "Default Rate" or to waive any obligation of the Borrower to pay interest or letter of credit fees at the Default Rate;

(e) change Section 2.15 or Section 8.03 in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender;

(f) change any provision of this Section or the definition of "Majority Lenders" or any other provision hereof specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; or

(g) except as provided in Section 9.10, release all or substantially all of the Guarantors from the Guaranty without the written consent of each Lender;

and, provided further, that no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document.

10.02 Notices; Effectiveness; Electronic Communication.

[See Section 1.02]

10.03 No Waiver; Cumulative Remedies.

[See Section 1.02]

10.04 Expenses; Indemnity; Damage Waiver.

[See Section 1.02]

10.05 Payments Set Aside.

[See Section 1.02]

10.06 Successors and Assigns.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of subsection (b) of this Section, (ii) by way of participation in accordance with the provisions of subsection (d) of this Section, or (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (f) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that:

(i) except in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund with respect to a Lender, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than

$5,000,000 unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed);

(ii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans or the Commitment assigned;

(iii) any assignment of a Commitment must be approved by the Administrative Agent unless the Person that is the proposed assignee is itself a Lender (whether or not the proposed assignee would otherwise qualify as an Eligible Assignee); and

(iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of $3,500 (which fee may be waived or reduced in the sole discretion of the Administrative Agent), and the Eligible Assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to subsection (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 3.01, 3.04, 3.05, and 10.04 with respect to facts and circumstances occurring prior to the effective date of such assignment. Upon request, the Borrower (at its expense) shall execute and deliver a Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) of this Section.

(c) Register. The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at the Administrative Agent's Office a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by each of the Borrower at any reasonable time and from time to time upon reasonable prior notice. In addition, at any time that a request for a consent for a material or substantive change to the Loan Documents is pending, any Lender

wishing to consult with other Lenders in connection therewith may request and receive from the Administrative Agent a copy of the Register.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural person or the Borrower or any of the Borrower's Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent and the Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in the first proviso to Section 10.01 that affects such Participant. Subject to subsection (e) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 3.01, 3.04 and 3.05 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.15 as though it were a Lender.

(e) Limitations upon Participant Rights. A Participant shall not be entitled to receive any greater payment under Section 3.01 or 3.04 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 3.01 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 3.01(e) as though it were a Lender.

(f) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(g) Electronic Execution of Assignments. The words "execution," "signed," "signature," and words of like import in any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of

a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

10.07 Treatment of Certain Information; Confidentiality.

[See Section 1.02]

10.08 Right of Setoff.

[See Section 1.02]

10.09 Interest Rate Limitation.

[See Section 1.02]

10.10 Counterparts; Integration; Effectiveness.

[See Section 1.02]

10.11 Survival of Representations and Warranties.

[See Section 1.02]

10.12 Severability.

[See Section 1.02]

10.13 Replacement of Lenders.

[See Section 1.02]

10.14 Governing Law; Jurisdiction; Etc.

(a) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

(b) SUBMISSION TO JURISDICTION. THE BORROWER IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN

SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT OR ANY LENDER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST THE BORROWER OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) WAIVER OF VENUE. THE BORROWER IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN PARAGRAPH (B) OF THIS SECTION. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) SERVICE OF PROCESS. EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 10.02. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

10.15 Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

10.16 USA PATRIOT Act Notice. Each Lender that is subject to the Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify

and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrower in accordance with the Act.

10.17 Time of the Essence. Time is of the essence of the Loan Documents.

10.18 No Recourse. The parties hereto hereby acknowledge and agree that neither the General Partner nor any director, officer, employee, limited partner or shareholder of the Borrower or the General Partner shall have any personal liability in respect of the obligations of the Borrower and the Guarantors under this Agreement and the other Loan Documents by reason of his, her or its status.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

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

By: _____
Name: H. Michael Krimbill
Title: President

Signature Page to Credit Agreement –
Energy Transfer Partners, L.P.

CREDIT SUISSE, CAYMAN ISLANDS BRANCH, as Administrative Agent and a Lender

By: _____
Name:
Title:

Signature Page to Credit Agreement –
Energy Transfer Partners, L.P.

BANK OF AMERICA, N.A., as a Lender

By: _____
Name:
Title:

COMMITMENTS

Lender	Commitment
Bank of America, N.A.	$125,000,000
Credit Suisse, Cayman Islands Branch	$125,000,000
TOTAL:	**$250,000,000**

Notices

If to the Borrower:

Energy Transfer Partners, L.P.
8801 South Yale Avenue, Suite 310
Tulsa, Oklahoma 74137
Attention: Chief Financial Officer
Telephone: (918) 492-7272
Facsimile: (918) 493-7290

If to the Administrative Agent:

Credit Suisse
Eleven Madison Avenue
New York, New York 10010
Attention: Thomas Lynch, Agency Group Manager
Telephone: (212) 325-9205
Facsimile: (212) 325-8304

EXHIBIT 10.49

CUSIP Number: _____

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

$1,300,000,000 Five Year Revolving Credit Facility

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Exhibit 10.49

AMENDED AND RESTATED CREDIT AGREEMENT

This AMENDED AND RESTATED CREDIT AGREEMENT ("Agreement") is entered into as of June 29, 2006, among ENERGY TRANSFER PARTNERS, L.P., a Delaware limited partnership (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 each lender from time to time party hereto (collectively, the "Lenders" and individually, a "Lender").

In consideration of the mutual covenants and agreements contained herein and in consideration of the loans which may hereafter be made by Lenders to, and the Letters of Credit that may hereafter be issued by the LC Issuer for the account of, the Borrower, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I.
DEFINITIONS AND ACCOUNTING TERMS

1.01 Defined Terms. As used in this Agreement, the following terms shall have the meanings set forth below:

"Administrative Agent" means Wachovia Bank, National Association, in its capacity as administrative agent for the Lenders hereunder.

"Administrative Agent's Office" means the Administrative Agent's address and, as appropriate, account as set forth on Schedule 10.02, or such other address or account as the Administrative Agent may from time to time notify to the Borrower and the Lenders.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Aggregate Commitments" means the Commitments of all the Lenders. The initial amount of the Aggregate Commitments is $1,300,000,000, subject to optional reductions pursuant to Section 2.16 and subject to increases as provided in Section 2.17.

"Agreement" means this Amended and Restated Credit Agreement, as amended or supplemented from time to time in accordance with the terms hereof.

"Applicable Percentage" means with respect to any Lender, the percentage of the Aggregate Commitments represented by such Lender's Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments.

"Applicable Rate" means, on any day, with respect to any Eurodollar Loan or commitment fees hereunder, respectively, the percent per annum set forth below under the caption "Eurodollar Margin," or "Commitment Fee Rate," respectively, based upon the Level corresponding to the Ratings by the Rating Agencies applicable on such date:

Ratings: (Fitch/Moody's/S&P)	Eurodollar Margin	Commitment Fee Rate
Level 1 ≥BBB+/Baa1/BBB+	0.300%	0.070%
Level 2 BBB/Baa2/BBB	0.400%	0.090%
Level 3 BBB-/Baa3/BBB-	0.550%	0.110%
Level 4 BB+/Ba1/BB+	0.700%	0.125%
Level 5 ≤BB/Ba2/BB	0.850%	0.175%

For purposes of the foregoing, (a) if only one Rating is determined, the Level corresponding to that Rating shall apply; (b) if there are only two Ratings, then (i) if there is a one Level difference between the two Ratings, then the Level corresponding to the higher Rating shall be used, and (ii) if there is a greater than one Level difference between the Ratings, then the Level that is one Level below the higher Rating will be used; (c) if there are three Ratings, then (i) if all three are at different Levels, the middle Level shall apply and (ii) if two Ratings correspond to the same Level and the third is different, the Level corresponding to the two same Levels shall apply; (d) if the Ratings established or deemed to have been established by the Rating Agencies shall be changed (other than as a result of a change in the rating system of such Rating Agency), such change shall be effective as of the date on which it is first announced by the applicable Rating Agency and (e) if no Rating is determined, Level 5 shall apply. Changes in the Applicable Rate will occur automatically without prior notice as changes in the applicable Ratings occur, and each change in the Applicable Rate shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change.

In addition to the increases, if any, in the Applicable Rate pursuant to the immediately preceding paragraph, on each day that the Facility Usage exceeds 50% of the Aggregate Commitments, the then effective Applicable Rate set forth above under "Eurodollar Margin"

shall be increased by 0.05 % per annum for Level 1 and Level 2 and shall be increased by 0.10% per annum for Level 3, Level 4 and Level 5.

The Applicable Rate for Base Rate Loans at all times is zero percent (0.0%).

"Approved Fund" means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"Assignment and Assumption" means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 10.06(b), and accepted by the Administrative Agent, in substantially the form of Exhibit A or any other form approved by the Administrative Agent.

"Attributable Debt" means, with respect to any Sale and Lease-Back Transaction not involving a Capital Lease Obligation, as of any date of determination, the total obligation (discounted to present value at the rate of interest implicit in the lease included in such transaction) of the lessee for rental payments (other than accounts required to be paid on account of property taxes, maintenance, repairs, insurance, assessments, utilities, operating and labor costs and other items which do not constitute payments for property rights) during the remaining portion of the term (including extensions which are at the sole option of the lessor) of the lease included in such transaction (in the case of any lease which is terminable by the lessee upon the payment of a penalty, such rental obligation shall also include the amount of such penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated).

"Base Rate" means, for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day, and (b) the Federal Funds Rate in effect on such day plus $^1/_2$ of 1%. Any change in the Base Rate due to a change in the Prime Rate or the Federal Funds Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Rate, respectively.

"Base Rate Loan" means a Loan or portion of a Loan that bears interest based on the Base Rate.

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

"Borrowing" means Loans of the same Type, made, Converted or Continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, the state where the Administrative Agent's Office is located and, if such day relates to any Eurodollar Loan, means any such day on which dealings in Dollar deposits are conducted by and between banks in the London interbank eurodollar market.

"Capital Lease" 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.

"Capital Lease Obligation" means, with respect to any Person and a Capital Lease, the amount of the obligation of such Person as the lessee under such Capital Lease which would, in accordance with GAAP, appear as a liability on a balance sheet of such Person.

"Cash Collateralize" means to pledge and deposit with or deliver to the Administrative Agent, for the benefit of the LC Issuer and the Lenders, as collateral for the LC Obligations, cash or deposit account balances pursuant to documentation in form and substance reasonably satisfactory to the Administrative Agent and the LC Issuer. Derivatives of such term have corresponding meanings.

"Cash Equivalents" means Investments in:

(a) marketable obligations, maturing within 12 months after acquisition thereof, issued or unconditionally guaranteed by the United States or an instrumentality or agency thereof and entitled to the full faith and credit of the United States;

(b) demand deposits and time deposits (including certificates of deposit) maturing within 12 months from the date of deposit thereof, (i) with any office of any Lender or (ii) with a domestic office of any national or state bank or trust company which is organized under the Laws of the United States or any state therein, which has capital, surplus and undivided profits of at least $500,000,000, and whose long-term certificates of deposit are rated BBB+ or Baa1 or better, respectively, by either Rating Agency;

(c) repurchase obligations with a term of not more than seven days for underlying securities of the types described in subsection (a) above entered into with (i) any Lender or (ii) any other commercial bank meeting the specifications of subsection (b) above;

(d) open market commercial paper, maturing within 270 days after acquisition thereof, which are rated at least P-1 by Moody's or A-1 by S&P; and

(e) money market or other mutual funds substantially all of whose assets comprise securities of the types described in subsections (a) through (d) above.

"Change in Law" means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental Authority or (c) the making or issuance of any request, guideline or directive (whether or not having the force of law) by any Governmental Authority.

"Change of Control" means the existence of any of the following: (a) any person or group (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), other than an Exempt Person, shall be the legal or beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of more than 50% of the combined voting power of the then total Equity Interests of the General Partner; or (b) General Partner shall not be the sole legal and beneficial owner of the 2% general

partner interest in the Borrower and the right to serve as the sole general partner of the Borrower; or (c) occupation of a majority of the seats (other than vacant seats) on the board of directors of the General Partner by Persons who were neither (i) nominated, approved or appointed by the board of directors of the General Partner nor (ii) appointed by directors so nominated, approved or appointed. As used herein "Exempt Person" means (i) Energy Transfer Equity, L.P., and any successor by merger, consolidation or reincorporation (the "GP Owner"), so long as no person or group (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), other than an Exempt Person under the foregoing clause (i), shall be the legal or beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of more than 50% of the combined voting power of the then total Equity Interests (A) of a general partner of the GP Owner if the GP Owner is a partnership or (b) of the GP Owner if such GP Owner is a corporation or other entity other than a partnership and (ii) any of (A) Ray C. Davis, Kelcy L. Warren, H. Michael Krimbill, the heirs at law of such individuals, entities or trusts owned by or established for the benefit of such individuals or their respective heirs at law (such as entities or trusts established for estate planning purposes), (B) Natural Gas Partners VI, L.P., or (C) entities owned solely by existing and former management employees of the General Partner.

"Clean Down Period" means a period of 30 consecutive days during each Fiscal Year that (i) is specified by the Borrower as the Clean Down Period by the delivery within 15 days following the end of such period of a certificate in form satisfactory to the Administrative Agent stating that the Borrower was in compliance with Section 7.12(a) during such period and indicating the highest Leverage Ratio applicable to such period or (ii) is deemed to occur as provided in the definition of Excluded Inventory Indebtedness.

"Closing Date" means the first date all the conditions precedent in Section 4.01 and Section 4.02 are satisfied or waived in accordance with Section 10.01.

"Code" means the Internal Revenue Code of 1986, together with all rules and regulations promulgated with respect thereto.

"Commission" means the United States Securities and Exchange Commission.

"Commitment" means, as to each Lender, its obligation (a) to make Revolving Credit Loans to the Borrower pursuant to Section 2.01, and (b) to purchase participations in LC Obligations and Swingline Loans, in an aggregate principal amount at any one time outstanding not to exceed the Commitment amount set forth opposite such Lender's name on Schedule 1 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable, as such amount may be adjusted from time to time in accordance with this Agreement.

"Commitment Period" means the period from and including the Closing Date to the earliest of (a) the Maturity Date, (b) the date of termination of the Aggregate Commitments pursuant to Section 2.16, and (c) the date of termination of the Commitment of each Lender to make Loans and of the obligation of the LC Issuer to make LC Credit Extensions pursuant to Section 8.02.

"Compliance Certificate" means a certificate substantially in the form of Exhibit B.

"Consolidated" refers to the consolidation of any Person, in accordance with GAAP, with its properly consolidated subsidiaries. References herein to a Person's Consolidated financial statements, financial condition, results of operations, cash flows, assets, liabilities, etc. refer to the consolidated financial statements, financial condition, results of operations, cash flows, assets, liabilities, etc. of such Person and its properly consolidated subsidiaries. Notwithstanding the foregoing, when used in reference to the Borrower and its Restricted Subsidiaries, "Consolidated" shall exclude the effect on the consolidated financial statements, financial condition, results of operations, cash flows, assets, liabilities, etc. of the Borrower and its Restricted Subsidiaries of all Unrestricted Subsidiaries, determined as if Restricted Persons held no Equity Interest in Unrestricted Subsidiaries, and, without limiting the foregoing, excluding all Equity Interests in Unrestricted Subsidiaries and dividends and distributions received from Unrestricted Subsidiaries.

"Consolidated EBITDA" means, for any period, the Consolidated Net Income of the Borrower and its Restricted Subsidiaries for such period, plus (a) each of the following to the extent deducted in determining such Consolidated Net Income (i) all Consolidated Interest Expense, (ii) all income taxes (including any franchise taxes to the extent based upon net income), (iii) all depreciation and amortization (including amortization of good will and debt issue costs), (iv) any other non-cash charges or losses, and (v) so long as any of the HOLP Companies are Unrestricted Subsidiaries, general and administrative expense of the Borrower (on an unconsolidated basis) to the extent allocated to the HOLP Companies not to exceed $5,000,000 for any period of four Fiscal Quarters, minus (b) each of the following (i) all non-cash items of income or gain which were included in determining such Consolidated Net Income, and (ii) any cash payments made during such period in respect of items described in clause (a)(iv) above subsequent to the Fiscal Quarter in which the relevant non-cash charges or losses were reflected as a charge in the statement of Consolidated Net Income. Consolidated EBITDA shall be subject to the adjustments set forth in the following clauses (1) and (2) for all purposes under this Agreement other than for purposes of Section 7.12(b):

(1) If, since the beginning of the four Fiscal Quarter period ending on the date for which Consolidated EBITDA is determined, any Restricted Person shall have made any disposition or acquisition of operating assets, shall have consolidated or merged with or into Person (other than another Restricted Person), or shall have made any disposition of a Restricted Person or an acquisition of a Person that becomes a Restricted Person, Consolidated EBITDA shall be calculated giving pro forma effect thereto as if the disposition, acquisition, consolidation or merger had occurred on the first day of such period. Such pro forma effect shall be determined (A) in good faith by the chief financial officer, principal accounting officer or treasurer of the Borrower and acceptable to the Administrative Agent, (B) giving effect to any anticipated or proposed cost savings related to such disposition, acquisition, consolidation or merger, to the extent approved by Administrative Agent, such approval not to be unreasonably withheld, and (C) without giving effect to any anticipated or proposed change in operations, revenues, expenses or other items included in the computation of Consolidated EBITDA.

(2) Consolidated EBITDA shall be increased by the amount of any applicable Material Project EBITDA Adjustments.

"Consolidated Funded Indebtedness" means as of any date, the sum of the following (without duplication): (a) all Indebtedness which is classified as "long-term indebtedness" on a Consolidated balance sheet of the Borrower and its Restricted Subsidiaries prepared as of such date in accordance with GAAP and any current maturities and other principal amount in respect of such Indebtedness due within one year but which was classified as "long-term indebtedness" at the creation thereof, (b) Indebtedness for borrowed money of the Borrower and its Restricted Subsidiaries outstanding under a revolving credit or similar agreement, notwithstanding the fact that any such borrowing is made within one year of the expiration of such agreement, (c) Capital Leases Obligations of the Borrower and its Restricted Subsidiaries, and (d) all Indebtedness in respect of any Guarantee by the Borrower or any of its Restricted Subsidiaries of Indebtedness of any Person other than the Borrower or any of its Restricted Subsidiaries, but excluding (i) Attributable Debt of the Borrower and its Restricted Subsidiaries, (ii) Performance Guaranties and (iii) obligations of the Borrower or any Restricted Subsidiaries under Hybrid Securities; provided, however, on each day, other than during each Clean Down Period, Consolidated Funded Indebtedness shall exclude the amount of Excluded Inventory Indebtedness.

"Consolidated Interest Expense" means, for any period, all interest paid or accrued (that has resulted in a cash payment in the period or will result in a cash payment in future quarter(s)) during such period on, and all fees and related charges in respect of, Indebtedness which was deducted in determining Consolidated Net Income during such period.

"Consolidated Net Income" means, for any period, the Borrower's and its Restricted Subsidiaries' gross revenues for such period, minus the Borrower's and its Restricted Subsidiaries' expenses and other proper charges against income (including taxes on income to the extent imposed), determined on a Consolidated basis after eliminating earnings or losses attributable to outstanding minority interests and excluding the net earnings or losses of any Person, other than a Restricted Subsidiary, in which the Borrower or any of its Restricted Subsidiaries has an ownership interest. Consolidated Net Income shall not include (a) any gain or loss from the sale of assets other than in the ordinary course of business, (b) any extraordinary gains or losses, or (c) any non-cash gains or losses resulting from mark to market activity as a result of SFAS 133. Consolidated Net Income for any period shall (i) include any cash dividends and distributions actually received during such period from any Person, other than a Restricted Subsidiary, in which the Borrower or any of its Restricted Subsidiaries has an ownership interest and (ii) specifically exclude dividends and distributions from HOLP and its Subsidiaries at any time prior to their designation as Restricted Subsidiaries pursuant to Section 6.11.

"Consolidated Net Tangible Assets" means, at any date of determination, the total amount of Consolidated assets of the Borrower and its Restricted 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 and accumulated amortization) of all goodwill, trade names, trademarks, patents and other like intangible assets, all as set forth, or on

a pro forma basis would be set forth, on the Consolidated balance sheet of the Borrower and its Restricted Subsidiaries for the most recently completed Fiscal Quarter, prepared in accordance with GAAP.

"Continue," "Continuation," and "Continued" shall refer to the continuation pursuant to Section 2.04 of a Eurodollar Loan as a Eurodollar Loan from one Interest Period to the next Interest Period.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Convert," "Conversion," and "Converted" shall refer to a conversion pursuant to Section 2.04 or Article III of one Type of Loan into another Type of Loan.

"Credit Extension" means each of the following: (a) a Borrowing and (b) an LC Credit Extension.

"Debtor Relief Laws" means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

"Default" means any event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

"Default Rate" means, at the time in question, (a) for any Eurodollar Loan (up to the end of the applicable Interest Period), two percent (2%) per annum plus the Applicable Rate for Eurodollar Loans plus the Eurodollar Rate then in effect, (b) for each Base Rate Loan, Swingline Loan or LC Obligation, two percent (2%) per annum plus the Applicable Rate for Base Rate Loans plus the Base Rate or (c) for each Letter of Credit, two percent (2%) per annum plus the Applicable Rate for Eurodollar Loans; provided, however, the Default Rate shall never exceed the Maximum Rate.

"Default Rate Period" means (i) any period during which any Event of Default specified in Section 8.01(a), (b) or (j) is continuing and (ii) upon the request of the Majority Lenders, any period during which any other Event of Default is continuing.

"Disclosure Schedule" means Schedule 3 hereto.

"Dollar" and "$" mean lawful money of the United States.

"Eligible Assignee" means (a) a Lender; (b) an Affiliate of a Lender; (c) an Approved Fund; and (d) any other Person (other than a natural person) approved by (i) the Administrative Agent and the LC Issuer, and (ii) unless an Event of Default has occurred and is continuing, the

Borrower (each such approval not to be unreasonably withheld or delayed); provided that notwithstanding the foregoing, "Eligible Assignee" shall not include the Borrower or any of the Borrower's Affiliates or Subsidiaries.

"Environmental Laws" means any and all Laws relating to the environment or to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment including ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes.

"Equity Interests" means, with respect to any Person, all of the shares of capital stock of (or other ownership or profit interests in) such Person, all of the warrants, options or other rights for the purchase or acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, all of the 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 acquisition from such Person of such shares (or such other interests), and all of the other ownership or profit interests in such Person (including partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are outstanding on any date of determination.

"ERISA" means the Employee Retirement Income Security Act of 1974, together with all rules and regulations promulgated with respect thereto.

"ERISA Affiliate" means each Restricted Person and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control that, together with such Restricted Person, are treated as a single employer under Section 414 of the Code.

"ERISA Plan" means any employee pension benefit plan subject to Title IV of ERISA maintained by any ERISA Affiliate with respect to which any Restricted Person has a fixed or contingent liability.

"Eurodollar Loan" means a Loan or portion of a Loan that bears interest at a rate based on the Eurodollar Rate.

"Eurodollar Rate" means, with respect to any Eurodollar Loan for any Interest Period, (a) the rate per annum appearing on Page 3750 of the Bridge Telerate Service (formerly Dow Jones Market Service) (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period; (b) if for any reason the rate specified in clause (a) of this definition does not so appear on Page 3750 of the Bridge Telerate Service (or any successor or

substitute page or any such successor to or substitute for such Service), the rate per annum appearing on Reuters Screen LIBO page (or any successor or substitute page) as the London interbank offered rate for deposits in dollars at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period for a maturity comparable to such Interest Period; and (c) if the rate specified in clause (a) of this definition does not so appear on Page 3750 of the Bridge Telerate Service (or any successor or substitute page or any such successor to or substitute for such Service) and if no rate specified in clause (b) of this definition so appears on Reuters Screen LIBO page (or any successor or substitute page), the average of the interest rates per annum at which dollar deposits of $5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London offices of Wachovia Bank, National Association in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"Event of Default" has the meaning given to such term in Section 8.01.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Excluded Inventory Indebtedness" means Indebtedness of Restricted Persons (whether under this Agreement or other Indebtedness permitted to be incurred under the terms of this Agreement) incurred to finance the purchase or holding by one or more Restricted Persons of inventories of gas held in storage at the Bammel reservoir for sale and delivery in the ordinary course of business, that is designated by the Borrower as Excluded Inventory Indebtedness, subject to the following conditions: (i) the Borrower will designate the amount of Indebtedness that is Excluded Inventory Indebtedness in connection with each determination of Consolidated Funded Indebtedness, (ii) the aggregate amount of Excluded Inventory Indebtedness on any day shall not exceed the value of inventory then owned by a Restricted Person on such day which is held in storage at the Bammel reservoir for sale and delivery in the ordinary course of business and with respect to which the price has been hedged to substantially eliminate price risk and in compliance with the Risk Management Policy, the value of such inventory determined based on the price as so hedged and any margin calls relating to such hedges, (iii) the aggregate amount of Excluded Inventory Indebtedness on any day shall not exceed (A) $450,000,000 prior to April 1, 2007 and (B) $300,000,000 on or after April 1, 2007, and (iv) no Indebtedness shall be designated as Excluded Inventory Indebtedness in the last 30 days of a Fiscal Year if the Borrower shall not otherwise have declared a Clean Down Period during such Fiscal Year.

"Excluded Taxes" means, with respect to the Administrative Agent, any Lender, the LC Issuer or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable Lending Office is located, (b) any branch profits taxes imposed by the United States or any similar tax imposed by any other jurisdiction in which the Borrower is located and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 10.13), any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party hereto (or designates a new Lending Office) or

is attributable to such Foreign Lender's failure or inability (other than as a result of a Change in Law) to comply with Section 3.01(e), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new Lending Office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 3.01(a).

"Existing Credit Agreement" means that certain Credit Agreement dated as of December 12, 2005, among 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, and a syndicate of lenders party thereto.

"Existing Letters of Credit" means the Letters of Credit (as defined in the Existing Credit Agreement) issued and outstanding under the Existing Credit Agreement and which shall remain issued and outstanding for purposes of this Agreement.

"Facility Usage" means, at the time in question, the aggregate amount of outstanding Loans and LC Obligations at such time.

"Federal Funds Rate" means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to the Administrative Agent on such day on such transactions as determined by the Administrative Agent.

"Fee Letter" means the letter agreement, dated June 12, 2006, among the Borrower, the Administrative Agent and Wachovia Capital Markets, LLC.

"Fiscal Quarter" means a three-month period ending on the last day of November, February, May and August.

"Fiscal Year" means a twelve month period ending on August 31.

"Fitch" means Fitch, Inc., or its successor.

"Foreign Lender" means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is resident for tax purposes. For purposes of this definition, the United States, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"Fund" means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"GAAP" means those generally accepted accounting principles and practices which are recognized as such by the Financial Accounting Standards Board (or any generally recognized successor) and which, in the case of the Borrower and its Consolidated Subsidiaries, are applied for all periods after the date hereof in a manner consistent with the manner in which such principles and practices were applied to the Initial Financial Statements. If any change in any accounting principle or practice is required by the Financial Accounting Standards Board (or any such successor) in order for such principle or practice to continue as a generally accepted accounting principle or practice, all reports and financial statements required hereunder with respect to the Borrower or with respect to the Borrower and its Consolidated Subsidiaries may be prepared in accordance with such change, but all calculations and determinations to be made hereunder may be made in accordance with such change only after notice of such change is given to each Lender, and the Borrower and Majority Lenders agree to such change insofar as it affects the accounting of the Borrower or of the Borrower and its Consolidated Subsidiaries.

"General Partner" means Energy Transfer Partners GP, L.P., a Delaware limited partnership, or the corporate, partnership or limited liability successor thereto, in either case, which is the sole general partner of the Borrower.

"Governmental Authority" means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

"Guarantee" means, as to any Person, any (a) any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation payable or performable by another Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Indebtedness or other obligation of the payment or performance of such Indebtedness or other obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation, or (iv) entered into for the purpose of assuring in any other manner the obligee in respect of such Indebtedness or other obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part), or (b) any Lien on any assets of such Person securing any Indebtedness or other obligation of any other Person, whether or not such Indebtedness or other obligation is assumed by such Person (or any right, contingent or otherwise, of any holder of such Indebtedness to obtain any such Lien). The term "Guarantee" shall exclude endorsements in the ordinary course of business of negotiable

instruments in the course of collection. The amount of any Guarantee shall be deemed to be an amount equal to the lesser of (i) the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made, or (ii) if not stated or determinable or if such Guarantee by its terms is limited to less than the full amount of such primary obligation, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith or the amount to which such Guarantee is limited. The term "Guarantee" as a verb has a corresponding meaning.

"Guarantors" means any Subsidiary of the Borrower that now or hereafter executes and delivers a Guaranty to the Administrative Agent pursuant to Section 6.11.

"Guaranty" means, collectively, one or more Guarantees of the Obligations made by the Guarantors in favor of the Administrative Agent for the benefit of the Lenders, substantially in the form of Exhibit C, including any supplements to an existing Guaranty in substantially the form that is a part of Exhibit C.

"Hazardous Materials" means any substances regulated under any Environmental Law, whether as pollutants, contaminants, or chemicals, or as industrial, toxic or hazardous substances or wastes, or otherwise.

"Hedging Contract" means (a) any agreement providing for options, swaps, floors, caps, collars, forward sales or forward purchases involving interest rates, commodities or commodity prices, equities, currencies, bonds, or indexes based on any of the foregoing, (b) any option, futures or forward contract traded on an exchange, and (c) any other derivative agreement or other similar agreement or arrangement.

"Hedging Termination Value" means, in respect of any one or more Hedging Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Hedging Contracts, (a) for any date on or after the date such Hedging Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Hedging Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Hedging Contracts (which may include a Lender or any Affiliate of a Lender).

"Heritage Note Purchase Agreements" means collectively, (a) the Note Purchase Agreement dated as of June 25, 1996, among HOLP and the purchasers named therein, as amended and supplemented; (b) the Note Purchase Agreement dated as of November 19, 1997, among HOLP and the purchasers named therein, as amended and supplemented; and (c) the Note Purchase Agreement dated as of August 10, 2000 among HOLP and the purchasers named therein, as amended and supplemented.

"HHI" means Heritage Holdings, Inc., a Delaware corporation, or the corporate, partnership or limited liability successor thereto.

"HOLP" means Heritage Operating, L.P., a Delaware limited partnership, or the corporate, partnership or limited liability successor thereto.

"HOLP Companies" means HOLP and each Wholly-Owned Subsidiary of HOLP, whether now existing or hereafter formed or acquired.

"Hybrid Securities" means any hybrid securities consisting of trust preferred securities or deferrable interest subordinated debt securities with maturities of at least 20 years issued by wholly owned special purpose entities that are Restricted Subsidiaries.

"Indebtedness" means, with respect to any Person, without duplication:

(a) indebtedness for borrowed money, all obligations upon which interest charges are customarily paid and all obligations evidenced by any bond, note, debenture or other similar instrument which such Person has directly or indirectly created, incurred or assumed;

(b) obligations of others secured by any Lien in respect of property owned by such Person, whether or not such Person has assumed or become liable for the payment of such indebtedness; provided that the amount of such Indebtedness, if such Person has not assumed the same or become liable therefor, shall in no event be deemed to be greater than the fair market value from time to time of the property subject to such Lien;

(c) indebtedness, whether or not for borrowed money (excluding trade payables and accrued expenses arising in the ordinary course of business and payable in the ordinary course of business), with respect to which such Person has become directly or indirectly liable and which represents the deferred purchase price (or a portion thereof) or has been incurred to finance the purchase price (or a portion thereof) of any property or service or business acquired by such Person, whether by purchase, consolidation, merger or otherwise;

(d) the principal component of Capital Lease Obligations to the extent such obligations would, in accordance with GAAP, appear on a balance sheet of such Person;

(e) Attributable Debt of such Person in respect of Sale and Lease-Back Transactions not involving a Capital Lease Obligation;

(f) obligations of such Person to purchase, redeem, retire, defease or otherwise make any payment in respect of any Equity Interest in such Person or any other Person, valued at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends or distribution;

(g) obligations, contingent or fixed, of such person as an account party in respect of letters of credit (other than letters of credit incurred in the ordinary course of business and consistent with past practice or letters of credit outstanding on the effective date of this Agreement);

(h) liabilities of such Person in respect of unfunded vested benefits under pension plans (determined on a net basis for all such plans) and all asserted withdrawal liabilities of such Person or a commonly controlled entity to a multiemployer plan;

(i) obligations of such Person in respect of bankers' acceptances (other than in respect of accounts payable to suppliers incurred in the ordinary course of business consistent with past practice); and

(j) Guarantees by such Person in respect of obligations of the character referred to in clause (a), (b), (c), (d), (e), (f), (g), (h) or (i) of this definition of any other Person;

(k) obligations of the character referred to in clause (a), (b), (c), (d), (e), (f), (g), (h), (i) or (j) of this definition deemed to be extinguished under GAAP but for which such Person remains legally liable; and

(l) amendment, supplement, modification, deferral, renewal, extension or refunding of any obligation or liability of the types referred to in clauses (a) through (k) above.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Indemnitees" has the meaning given to such term in Section 10.04(b).

"Indenture" mean that certain Indenture, dated as of January 18, 2005, among the Borrower, the guarantors named therein and Wachovia Bank, National Association, as Trustee, as amended by the First Supplemental Indenture, the Second Supplemental Indenture and the Third Supplemental Indenture, and as further amended or supplemented from time to time thereafter.

"Initial Borrower Financial Statements" means (i) the audited Consolidated annual financial statements of the Borrower as of August 31, 2005 and (ii) the unaudited interim Consolidated quarterly financial statements of the Borrower as of February 28, 2006.

"Initial Financial Statements" means (a) the Initial Borrower Financial Statements, and (b) the Initial La Grange Financial Statements.

"Initial La Grange Financial Statements" means (i) the audited Consolidated annual financial statements of La Grange as of August 31, 2005 and (ii) the unaudited interim Consolidated quarterly financial statements of La Grange as of February 28, 2006.

"Interest Payment Date" means, (a) as to any Loan other than a Base Rate Loan, the last day of each Interest Period applicable to such Loan and the Maturity Date; provided, however, that if any Interest Period for a Eurodollar Loan exceeds three months, the respective dates that fall every three months after the beginning of such Interest Period shall also be Interest Payment Dates; and (b) as to any Base Rate Loan, the last Business Day of each Fiscal Quarter and the Maturity Date.

"Interest Period" means, as to each Eurodollar Loan, the period commencing on the date such Eurodollar Loan is disbursed or converted to or continued as a Eurodollar Loan and ending on the date one, two, three or six months thereafter (or nine or twelve months thereafter if consented to by all the Lenders), as selected by the Borrower in its Loan Notice; provided that: (a) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day; (b) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and (c) no Interest Period shall extend beyond the Maturity Date.

"Investment" means, as to any Person, any direct or indirect acquisition or investment by such Person, whether by means of (a) the purchase or other acquisition of capital stock or other securities of another Person, (b) a loan, advance or capital contribution to, Guarantee or assumption of debt of, or purchase or other acquisition of any other debt or equity participation or interest in, another Person, including any partnership or joint venture interest in such other Person and any arrangement pursuant to which the investor Guarantees obligations of such other Person, or (c) the purchase or other acquisition (in one transaction or a series of transactions) of assets of another Person that constitute a business unit. For purposes of determining the outstanding amount of an Investment, the amount of any Investment shall be the amount actually invested (without adjustment for subsequent increases or decreases in the value of such Investment) reduced by the cash proceeds received upon the sale, liquidation, repayment or disposition of such Investment (less all costs thereof) or other cash distributions or proceeds received from such Investment, whether as earnings or as a return of capital, in an aggregate amount up to but not in excess of the amount of such Investment.

"Issuer Documents" means with respect to any Letter of Credit, the Letter of Credit Application, and any other document, agreement and instrument entered into by the LC Issuer and the Borrower (or any Restricted Subsidiary) or in favor the LC Issuer and relating to any such Letter of Credit.

"Joint Venture Interest" means an acquisition of or Investment in Equity Interests in any Person incorporated or otherwise formed pursuant to the laws of the United States or Canada or any state or province thereof or the District of Columbia, held directly or indirectly by the Borrower, that will not be a Subsidiary after giving effect to such acquisition or Investment.

"La Grange" means La Grange Acquisition, L.P., a Texas limited partnership.

"Laws" means any statute, law, regulation, ordinance, rule, treaty, judgment, order, decree, permit, concession, franchise, license, agreement or other governmental restriction of the United States or any state or political subdivision thereof or of any foreign country or any department, state, province or other political subdivision thereof.

"LC Collateral" means cash or deposit account balances pledged and deposited with or delivered to the Administrative Agent, for the benefit of the LC Issuer and the Lenders, as collateral for the LC Obligations.

"LC Credit Extension" means, with respect to any Letter of Credit, the issuance thereof or extension of the expiry date thereof, or the increase of the amount thereof.

"LC Issuer" means Wachovia Bank, National Association in its capacity as issuer of Letters of Credit hereunder (other than the Existing Letters of Credit) or any successor issuer of Letters of Credit hereunder and Bank of America, in its capacity as issuer of the Existing Letters of Credit.

"LC Obligations" means, as at any date of determination, the aggregate amount available to be drawn under all outstanding Letters of Credit plus the aggregate of all Matured LC Obligations. For purposes of computing the amount available to be drawn under any Letter of Credit, the amount of such Letter of Credit shall be determined in accordance with Section 1.06. For all purposes of this Agreement, if on any date of determination a Letter of Credit has expired by its terms but any amount may still be drawn thereunder by reason of the operation of Rule 3.14 of the "International Standby Practices 1998" (published by the Institute of International Banking Law & Practice or such later version thereof as may be in effect at the time of issuance), such Letter of Credit shall be deemed to be "outstanding" in the amount so remaining available to be drawn.

"Lender" has the meaning given to such term in the introductory paragraph hereto. Unless the context otherwise requires, the term "Lenders" includes the Swingline Lender.

"Lending Office" means, as to any Lender, the office or offices of such Lender described as such in such Lender's Administrative Questionnaire, or such other office or offices as a Lender may from time to time notify the Borrower and the Administrative Agent.

"Letter of Credit" means any standby letter of credit issued hereunder and shall include the Existing Letters of Credit.

"Letter of Credit Application" means an application and agreement for the issuance or amendment of a Letter of Credit in the form from time to time in use by the LC Issuer.

"Leverage Ratio" means the ratio of (a) Consolidated Funded Indebtedness outstanding on the specified date to (b) the Consolidated EBITDA for the specified four Fiscal Quarter period.

"Liabilities" means, as to any Person, all indebtedness, liabilities and obligations of such Person, whether matured or unmatured, liquidated or unliquidated, primary or secondary, direct or indirect, absolute, fixed or contingent, and whether or not required to be considered liabilities pursuant to GAAP.

"LIBOR Reference Rate" means a rate of interest for Swingline Loans determined by reference to the Eurodollar Rate for a one (1) month interest period that would be applicable for

a Revolving Credit Loan, as that rate may fluctuate in accordance with changes in the Eurodollar Rate as determined on a day-to-day basis.

"Lien" means, with respect to any property or assets, any right or interest therein of a creditor to secure Liabilities owed to it or any other arrangement with such creditor which provides for the payment of such Liabilities out of such property or assets or which allows such creditor to have such Liabilities satisfied out of such property or assets prior to the general creditors of any owner thereof, including any lien, mortgage, security interest, pledge, deposit, production payment, rights of a vendor under any title retention or conditional sale agreement or lease substantially equivalent thereto, tax lien, mechanic's or materialman's lien, or any other charge or encumbrance for security purposes, whether arising by Law or agreement or otherwise, but excluding any right of offset which arises without agreement in the ordinary course of business. "Lien" also means any filed financing statement, any registration of a pledge (such as with an issuer of uncertificated securities), or any other arrangement or action which would serve to perfect a Lien described in the preceding sentence, regardless of whether such financing statement is filed, such registration is made, or such arrangement or action is undertaken before or after such Lien exists.

"Loans" means the loans made by the Lenders to the Borrower pursuant to this Agreement, including the Revolving Credit Loans and the Swingline Loans.

"Loan Documents" means this Agreement, each Note, each Issuer Document, the Fee Letter, each Guaranty, and all other agreements, certificates, documents, instruments and writings at any time delivered in connection herewith or therewith (exclusive of term sheets and commitment letters).

"Loan Notice" means a notice of (a) a Borrowing, (b) a Conversion of Loans from one Type to the other, pursuant to Section 2.04, or (c) a Continuation of Eurodollar Loans, pursuant to Section 2.04, which, if in writing, shall be substantially in the form of Exhibit D.

"Majority Lenders" means, as of any date of determination, Lenders having more than 50% of the Aggregate Commitments or, if the Commitment of each Lender to make Loans and the obligation of the LC Issuer to make LC Credit Extensions have been terminated pursuant to Section 8.02, Lenders holding in the aggregate more than 50% of the Facility Usage (with the aggregate amount of each Lender's risk participation and funded participation in LC Obligations being deemed "held" by such Lender for purposes of this definition).

"Material Adverse Effect" means a material adverse effect on (i) the financial condition, operations, properties or prospects of the Borrower and its Restricted Subsidiaries, taken as a whole, or (ii) the ability of the Borrower to perform its obligations under this Agreement and the Notes or the ability of the Restricted Subsidiaries, taken as a whole, to perform their respective obligations under the Guaranty, or (iii) the validity or enforceability of this Agreement, the Guaranty or the Notes.

"Material Project" means the construction or expansion of any capital project of the Borrower or any of its Restricted Subsidiaries with multi-year customer contracts, the aggregate capital cost of which exceeds $30,000,000.

"Material Project EBITDA Adjustments" shall mean, with respect to each Material Project:

(A) prior to completion of the Material Project (and including the Fiscal Quarter in which completion occurs), a percentage (based on the then-current completion percentage of the Material Project) of an amount to be approved by the Administrative Agent, in its reasonable judgment, as the projected Consolidated EBITDA of the Borrower and its Restricted Subsidiaries attributable to such Material Project (such amount to be determined based on the multi-year customer contracts relating to such Material Project, the creditworthiness of the other parties to any such contracts, and projected revenues from such contracts, capital costs and expenses, scheduled completion, oil and gas reserve and production estimates, commodity price assumptions and other factors deemed reasonably appropriate by Administrative Agent), which shall be added to actual Consolidated EBITDA for the Borrower and its Restricted Subsidiaries for the Fiscal Quarter in which construction of such Material Project commences and for each Fiscal Quarter thereafter until completion of the Material Project (and including the Fiscal Quarter in which completion occurs, but net of any actual Consolidated EBITDA of the Borrower and its Restricted Subsidiaries attributable to such Material Project following its completion); provided that if construction of the Material Project is not completed by the scheduled completion date, then the foregoing amount shall be reduced, for quarters ending after the scheduled completion date to (but excluding) the first full quarter after completion, by the following percentage amounts depending on the period of delay for completion (based on the period of actual delay or then-estimated delay, whichever is longer): (i) 90 days or less, 0%, (ii) longer than 90 days, but not more than 180 days, 25%**,** (iii) longer than 180 days but not more than 270 days, 50%, and (iv) longer than 270 days, 100%; and

(B) for the first full Fiscal Quarter following completion of the Material Project, for the first two full Fiscal Quarters following such completion, and for the first three full Fiscal Quarters following such completion, an amount equal to the lesser of (x) actual Consolidated EBITDA of the Borrower and its Subsidiaries attributable to the Material Project for such first full Fiscal Quarter times four, such first two full Fiscal Quarters times two, and such first three full Fiscal Quarters times four/thirds, respectively, and (y) actual Consolidated EBITDA of the Borrower and its Subsidiaries attributable to the Material Project for such first full Fiscal Quarter, such first two full Fiscal Quarters, and such first three full Fiscal Quarters, respectively, plus projected Consolidated EBITDA of Borrower and its Restricted Subsidiaries attributable to such Material Project (determined in the same manner as set forth in clause (A) above) for the balance of the four full Fiscal Quarter period following such completion.

Notwithstanding the foregoing:

(i) no such additions shall be allowed with respect to any Material Project unless:

(a) not later than 30 days prior to the delivery of any certificate required by the terms and provisions of Section 6.02(b) to the extent Material Project EBITDA Adjustments will be made to Consolidated EBITDA in determining compliance with Section 7.12 under clause (i) thereof and not later than 10 days prior to any determination of compliance with Section 7.12 under any other clause thereof, the Borrower shall have delivered to the Administrative Agent written pro forma projections of Consolidated EBITDA of the Borrower and its Restricted Subsidiaries attributable to such Material Project, and

(b) prior to the date such certificate is required to be delivered, the Administrative Agent shall have approved (such approval not to be unreasonably withheld) such projections and shall have received such other information and documentation as the Administrative Agent may reasonably request, all in form and substance satisfactory to the Administrative Agent, and

(ii) the aggregate amount of all Material Project EBITDA Adjustments during any period shall be limited to 20% of the total actual Consolidated EBITDA of the Borrower and its Restricted Subsidiaries for such period (which total actual Consolidated EBITDA shall be determined without including any Material Project EBITDA Adjustments or any adjustments in respect of any acquisition, consolidation or merger as provided in clause (1) of the definition of Consolidated EBITDA).

"Matured LC Obligations" means all amounts paid by LC Issuer on drafts or demands for payment drawn or made under or purported to be under any Letter of Credit and all other amounts due and owing to LC Issuer under any Letter of Credit Application, to the extent the same have not been repaid to LC Issuer (with the proceeds of Loans or otherwise).

"Maturity Date" means June 29, 2011, as may be extended pursuant to Section 2.18.

"Maximum Rate" has the meaning given to such term in Section 10.09.

"Moody's" means Moody's Investors Service, Inc., or its successor.

"Note" means a promissory note made by the Borrower in favor of a Lender evidencing Loans made by such Lender, substantially in the form of Exhibit E.

"Obligations" means all advances to, and debts, liabilities, obligations, covenants and duties of, any Restricted Person, arising under any Loan Document or otherwise with respect to any Loan or Letter of Credit, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against any Restricted Person or any Affiliate thereof of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

"Other Taxes" means all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or under any other Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

"Participant" has the meaning given to such term in Section 10.06(d).

"Partnership Agreement" means the Agreement of Limited Partnership of the Borrower as in effect on the date of this Agreement.

"Performance Guaranties" means, collectively, guaranties by the Borrower of obligations of any Unrestricted Subsidiary (but not of Indebtedness of any Unrestricted Subsidiary) not to exceed in the aggregate amount outstanding of $85,000,000 at any time.

"Permitted Acquisitions" means (A) the acquisition of all of the Equity Interests in a Person (exclusive of director qualifying shares and other Equity Interests required to be held by an Affiliate to comply with a requirement of Law) or (B) any other acquisition of all or a substantial portion of the business, assets or operations of a Person (whether in a single transaction or a series of related transactions) or (C) a merger or consolidation of any Person with or into a Restricted Person so long as the survivor is or becomes a Restricted Person upon consummation thereof (and Borrower is the survivor, if it is a party); provided, that (i) prior to and after giving effect to such acquisition no Default or Event of Default shall have occurred and be continuing; and (ii) all representations and warranties contained in the Loan Documents shall be true and correct in all material respects as if restated immediately following the consummation of such acquisition; and (iii) the Borrower has provided to the Administrative Agent an officer's certificate, in form satisfactory to the Administrative Agent, certifying that each of the foregoing conditions has been satisfied.

"Permitted Investments" means:

(a) Cash Equivalents,

(b) Investment in South Texas Gas Gathering's Dorado joint venture, Mid-Texas Pipeline Company and Ranger Pipeline, L.P.,

(c) Investments in any Restricted Subsidiary,

(d) Investments in Unrestricted Subsidiaries as of the Closing Date,

(e) the Subscription Agreement, dated as of January 20, 2004, between HHI and Oasis Pipe Line Company, as such Subscription Agreement exists on the date of this Agreement and purchases of shares of HHI required to be made pursuant thereto,

(f) Guarantees of Indebtedness to the extent permitted by Section 7.01,

(g) Performance Guaranties,

(h) Investments in Joint Venture Interests, provided that, both before and after giving effect to any such Investment (i) all representations and warranties contained herein shall be true and correct in all material respects, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they were true and correct in all material respects as of such earlier date, (ii) the Person issuing such Joint Venture Interests is engaged in

the Permitted Line of Business and (iii) no Default or Event of Default shall have occurred and be continuing or will result therefrom,

(i) Investments (in addition to those permitted by clauses (a) through (h) of this definition) in any Person incorporated or otherwise formed pursuant to the laws of the United States or Canada or any state or province thereof or the District of Columbia including Investments in any Unrestricted Subsidiary (but additional Investments in respect of Performance Guarantees shall only be permitted pursuant to subsection (g) and shall not be permitted under this subsection (i) and additional Investments in HOLP and its Subsidiaries shall only be permitted under subsection (j) and shall not be permitted under this subsection (i)); provided that immediately prior to and after giving effect to such Investment (i) the aggregate outstanding amount of all such Investments made by the Restricted Persons under this clause (i) shall not exceed 10% of the Consolidated Net Tangible Assets, (ii) all representations and warranties shall be true and correct in all material respects, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they were true and correct in all material respects as of such earlier date, and (iii) no Default or Event of Default shall have occurred and be continuing or will result therefrom, and

(j) Contributions to Unrestricted Subsidiaries sourced from funds derived from equity offerings of the Borrower not to exceed $100,000,000 per year.

"Permitted Lien" has the meaning given to such term in Section 7.02.

"Permitted Line of Business" means, with respect to the specified Person, lines of business engaged in by such Person and its Subsidiaries such that such Person and its Subsidiaries, taken as a whole, are substantially engaged in businesses that are (i) qualified business of master limited partnerships and (ii) energy-related.

"Permitted Priority Debt" means (i) Indebtedness of a Restricted Subsidiary, whether or not secured, other than Indebtedness permitted under Section 7.01(a) through (f) and (ii) Indebtedness of the Borrower or any Restricted Subsidiary secured by Liens on property of the Borrower or any Restricted Subsidiary, other than Liens permitted under subsections (a) through (n) of Section 7.02, not to exceed at any one time outstanding in the aggregate under clause (i) and (ii), but without duplication, an aggregate principal amount equal to 15% of Consolidated Net Tangible Assets.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by Wachovia Bank, National Association as its prime rate in effect at its principal office in Charlotte, North Carolina. Each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"Quarterly Testing Date" means the last day of each Fiscal Quarter.

"Rating" means, as to each Rating Agency and on any day, the rating maintained by such Rating Agency on such day for senior, unsecured, non-credit enhanced (except for any Guarantee by Restricted Subsidiaries) long-term debt of the Borrower.

"Rating Agency" means Fitch, S&P or Moody's.

"Register" has the meaning given to such term in Section 10.06(c).

"Related Parties" means, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and of such Person's Affiliates.

"Request for Credit Extension" means (a) with respect to a Borrowing, Conversion or Continuation of Loans, a Loan Notice, and (b) with respect to an LC Credit Extension, a Letter of Credit Application.

"Responsible Officer" means the chief executive officer, president, chief financial officer, or treasurer of a Restricted Person. Any document delivered hereunder that is signed by a Responsible Officer of a Restricted Person shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Restricted Person and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Restricted Person.

"Restricted Payment" means any dividends on, or other distribution in respect of, any Equity Interests in any Restricted Person, or any purchase, redemption, acquisition, or retirement of any Equity Interests in any Restricted Person (whether such interests are now or hereafter issued, outstanding or created), or any reduction or retirement of the Equity Interest of any Restricted Person, except, in each case, distributions, dividends or any other of the above actions payable solely in shares of capital stock of (or other ownership or profit interests in) such Restricted Person, or warrants, options or other rights for the purchase or acquisition from such Restricted Person of shares of capital stock of (or other ownership or profit interests in) such Restricted Person.

"Restricted Person" means any of the Borrower and each Restricted Subsidiary.

"Restricted Subsidiary" means any Subsidiary of the Borrower other than the Unrestricted Subsidiaries.

"Revolving Credit Loan" means a Loan made pursuant to Section 2.01.

"Risk Management Policy" means the Risk Management Policy of the Borrower in effect on the date of this Agreement as amended from time to time.

"S&P" means Standard & Poor's Ratings Services (a division of McGraw Hill, Inc.) or its successor.

"Sale and Lease-Back Transaction" means, with respect to any Person (a "Transferor"), any arrangement (other than between the Borrower and a Wholly Owned Subsidiary of the Borrower that is a Restricted Person or between Wholly Owned Subsidiaries of the Borrower that are each Restricted Persons) whereby (a) property (the "Subject Property") has been or is to be disposed of by such Transferor to any other Person with the intention on the part of such Transferor of taking back a lease of such Subject Property pursuant to which the rental payments are calculated to amortize the purchase price of such Subject Property substantially over the useful life of such Subject Property, and (b) such Subject Property is in fact so leased by such Transferor or an Affiliate of such Transferor.

"Specified Acquisition" means an acquisition of assets or entities or operating lines or divisions by a Restricted Person for a purchase price of not less than $50,000,000.

"Specified Acquisition Period" means a period elected by the Borrower that commences on the date elected by the Borrower, by notice to the Administrative Agent, following the occurrence of a Specified Acquisition and ending on the earliest of (a) the third Quarterly Testing Date occurring after the consummation of such Specified Acquisition, (b) the date of a Specified Equity Offering and (c) if the Leverage Ratio is less than or equal to 4.50 to 1.00 on such date, the date of the Borrower's delivery of a notice to the Administrative Agent terminating such Specified Acquisition Period accompanied by a certificate reflecting compliance with such Leverage Ratio; provided, in the event the Leverage Ratio exceeds 4.75 to 1.00 as of the end of any Fiscal Quarter in which a Specified Acquisition has occurred, the Borrower shall be deemed to have so elected a Specified Acquisition Period with respect thereto on such last day of such Fiscal Quarter; provided, further, following the election (or deemed election) of a Specified Acquisition Period, the Borrower may not elect (or be deemed to have elected) a subsequent Specified Acquisition Period unless, at the time of such subsequent election, the Leverage Ratio does not exceed 4.75 to 1.00. Only one Specified Acquisition Period may be elected (or deemed elected) with respect to any particular Specified Acquisition.

"Specified Equity Offering" means the date (or the last such date if more than one issuances are aggregated) that the proceeds are received by the Borrower of one or more issuances of equity by the Borrower for aggregate net cash proceeds of not less than twenty five percent (25%) of the aggregate purchase price of the Specified Acquisition. For purposes of clarification, the Borrower, the Administrative Agent and the Lenders agree that nothing in this Agreement, including this definition, shall obligate the Borrower at any time to issue equity for the purpose of financing all or any portion of the purchase price associated with a Specified Acquisition.

"Subsidiary" of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a "Subsidiary" or to "Subsidiaries" shall refer to a Subsidiary or Subsidiaries of the Borrower.

"Swingline Commitment" means the commitment of the Swingline Lender to make Swingline Loans, as such amount may be adjusted from time to time in accordance with this Agreement by the Borrower and the Swingline Lender. The Swingline Commitment is $75,000,000.

"Swingline Lender" means Wachovia Bank, National Association.

"Swingline Loan" means a Loan made pursuant to Section 2.02.

"Taxes" means all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"Termination Event" means (a) the occurrence with respect to any ERISA Plan of (i) a reportable event described in Sections 4043(c)(5) or (6) of ERISA or (ii) any other reportable event described in Section 4043(c) of ERISA other than a reportable event not subject to the provision for 30 day notice to the Pension Benefit Guaranty Corporation pursuant to a waiver by such corporation under Section 4043(a) of ERISA, or (b) the withdrawal of any ERISA Affiliate from an ERISA Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA, or (c) the filing of a notice of intent to terminate any ERISA Plan or the treatment of any ERISA Plan amendment as a termination under Section 4041 of ERISA, or (d) the institution of proceedings to terminate any ERISA Plan by the Pension Benefit Guaranty Corporation under Section 4042 of ERISA, or (e) any other event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any ERISA Plan.

"Tribunal" means any government, any arbitration panel, any court or any governmental department, commission, board, bureau, agency or instrumentality of the United States or any state, province, commonwealth, nation, territory, possession, county, parish, town, township, village or municipality, whether now or hereafter constituted or existing.

"Type" means, with respect to a Loan, its character as a Base Rate Loan or a Eurodollar Loan.

"UCC" means the Uniform Commercial Code as in effect in the State of New York from time to time.

"Unrestricted Subsidiaries" means each of the following, unless designated as a Restricted Subsidiary pursuant to Section 6.11: (i) the HOLP Companies, (ii) HHI and (iii) any other Subsidiary of the Borrower which is designated as an Unrestricted Subsidiary pursuant to Section 6.11.

"United States" and "U.S." mean the United States of America.

"Wholly Owned Subsidiary" means, with respect to a Person, any Subsidiary of such Person, all of the issued and outstanding stock, limited liability company membership interests, or partnership interests of which (including all rights or options to acquire such stock or

interests) are directly or indirectly (through one or more Subsidiaries) owned by such Person, excluding any general partner interests owned, directly or indirectly, by General Partner in any such Subsidiary that is a partnership, in each case such general partner interests not to exceed two percent (2%) of the aggregate ownership interests of any such partnership and directors' qualifying shares if applicable.

1.02 Other Interpretive Provisions. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Loan Document), (ii) any reference herein to any Person shall be construed to include such Person's successors and assigns, (iii) the words "herein," "hereof" and "hereunder," and words of similar import when used in any Loan Document, shall be construed to refer to such Loan Document in its entirety and not to any particular provision thereof, (iv) all references in a Loan Document to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, the Loan Document in which such references appear, (v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (vi) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including;" the words "to" and "until" each mean "to but excluding;" and the word "through" means "to and including."

(c) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

1.03 Accounting Terms.

(a) Generally. All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, applied in a

manner consistent with that used in preparing the Initial Financial Statements, except as otherwise specifically prescribed herein.

(b) Changes in GAAP. If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Borrower or the Majority Lenders shall so request, the Administrative Agent, the Lenders and the Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Majority Lenders); provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Borrower shall provide to the Administrative Agent and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

1.04 Rounding. Any financial ratios required to be maintained by the Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

1.05 Times of Day. Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

1.06 Letter of Credit Amounts. Unless otherwise specified, all references herein to the amount of a Letter of Credit at any time shall be deemed to be the stated amount of such Letter of Credit in effect at such time; provided, however, that with respect to any Letter of Credit that, by its terms or the terms of any Issuer Document related thereto, provides for one or more automatic increases in the stated amount thereof, the amount of such Letter of Credit shall be deemed to be the maximum stated amount of such Letter of Credit after giving effect to all such increases, whether or not such maximum stated amount is in effect at such time.

ARTICLE II.
THE COMMITMENTS AND CREDIT EXTENSIONS

2.01 Revolving Credit Loans. Subject to the terms and conditions hereof, each Lender agrees to make Revolving Credit Loans ("Revolving Credit Loans") to the Borrower upon the Borrower's request from time to time during the Commitment Period, provided that (a) subject to Sections 3.03, 3.04 and 3.06, all Lenders are requested to make Revolving Credit Loans of the same Type in accordance with their respective Applicable Percentages and as part of the same Borrowing, and (b) after giving effect to such Revolving Credit Loans, the Facility Usage does not exceed the Aggregate Commitments, and the Loans of any Lender plus such Lender's Applicable Percentage of all LC Obligations does not exceed such Lender's Commitment. The aggregate amount of all Revolving Credit Loans that are Base Rate Loans in any Borrowing must be equal to $5,000,000 or any higher integral multiple of $1,000,000. The aggregate amount of all Eurodollar Loans in any Borrowing must be equal to $5,000,000 or any

higher integral multiple of $1,000,000. The Borrower may have no more than twelve (12) Borrowings of Eurodollar Loans outstanding at any time. Subject to the terms and conditions of this Agreement, the Borrower may borrow, repay, and reborrow under this Section 2.01.

2.02 Swingline Loans.

(a) Subject to the terms and conditions of this Agreement, the Swingline Lender agrees to make Swingline Loans to the Borrower from time to time during the Commitment Period; provided, that the aggregate principal amount of all outstanding Swingline Loans (after giving effect to any amount requested), shall not exceed the lesser of (i) the Aggregate Commitments less the sum of all outstanding Revolving Credit Loans and the LC Obligations and (ii) the Swingline Commitment; provided further that the Swingline Lender will not make a Swingline Loan from and after the date which is one (1) day after it has received written notice from the Borrower or any Lender that one or more of the applicable conditions to Credit Extensions specified in Section 4.02 is not then satisfied until such conditions are satisfied or waived in accordance with the provisions of this Agreement (and the Swingline Lender shall be entitled to conclusively rely on any such notice and shall have no obligation to independently investigate the accuracy of such notice and shall have no liability to the Borrower in respect thereof if such notice proves to be inaccurate). The aggregate amount of Swingline Loans in any Borrowing shall not be subject to a minimum amount or increment.

(b) Swingline Loans shall be refunded by the Lenders on demand by the Swingline Lender. Such refundings shall be made by each Lender in accordance with its Applicable Percentage and shall thereafter be reflected as Loans of the Lenders on the books and records of the Administrative Agent. Each Lender shall fund its Applicable Percentage of Revolving Credit Loans as required to repay Swingline Loans outstanding to the Swingline Lender upon demand by the Swingline Lender but in no event later than 1:00 p.m. on the next succeeding Business Day after such demand is made. No Lender's obligation to fund its Applicable Percentage of a Swingline Loan shall be affected by any other Lender's failure to fund its Applicable Percentage of a Swingline Loan, nor shall any Lender's Applicable Percentage be increased as a result of any such failure of any other Lender to fund its Applicable Percentage of a Swingline Loan.

(c) The Borrower shall pay to the Swingline Lender the amount of each Swingline Loan (unless such Swingline Loan is fully refunded by the Lenders pursuant to Section 2.02(b)): on demand and in no event later than the Maturity Date. In addition, the Borrower hereby authorizes the Administrative Agent to charge any account maintained by the Borrower with the Swingline Lender (up to the amount available therein) in order to immediately pay the Swingline Lender the amount of such Swingline Loans. If any portion of any such amount paid to the Swingline Lender shall be recovered by or on behalf of the Borrower from the Swingline Lender in bankruptcy or otherwise, the loss of the amount so recovered shall be ratably shared among all the Lenders in accordance with their Applicable Percentages (unless the amounts so recovered by or on behalf of the Borrower pertain to a Swingline Loan extended after the occurrence and during the continuance of an Event of Default of which the Administrative Agent has received notice in the manner required pursuant to Section 10.02 and which such Event of Default has not been waived by the Majority Lenders or the Lenders, as applicable).

(d) Each Lender acknowledges and agrees that its obligation to refund Swingline Loans in accordance with the terms of this Section 2.02 is absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limitation, non-satisfaction of the conditions set forth in Article IV. Further, each Lender agrees and acknowledges that if prior to the refunding of any outstanding Swingline Loans pursuant to this Section 2.02, one of the events described in subsections (j)(i), (j)(ii) or (j)(iii) of Section 8.01 shall have occurred, each Lender will, on the date the applicable Revolving Credit Loan would have been made, purchase an undivided, irrevocable and unconditional participating interest in the Swingline Loans to be refunded in an amount equal to its Applicable Percentage of the aggregate amount of such Swingline Loans. Each Lender will immediately transfer to the Swingline Lender, in immediately available funds, the amount of its participation, and upon receipt thereof, the Swingline Lender will deliver to such Lender a certificate evidencing such participation dated the date of receipt of such funds and for such amount. Whenever, at any time after the Swingline Lender has received from any Lender such Lender's participating interest in a Swingline Loan, the Swingline Lender receives any payment on account thereof, the Swingline Lender will distribute to such Lender its participating interest in such amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's participating interest was outstanding and funded). Notwithstanding the foregoing provisions of this Section 2.02(d), a Lender shall have no obligation to refund a Swingline Loan pursuant to Section 2.02(b) if (i) a Default shall exist at the time such refunding is requested by the Swingline Lender, (ii) such Default had occurred and was continuing at the time such Swingline Loan was made by the Swingline Lender and (ii) such Lender notified the Swingline Lender in writing, not less than one Business Day prior to the making by the Swingline Lender of such Swingline Loan, that such Default has occurred and is continuing and that such Lender will not refund Swingline Loans made while such Default is continuing.

2.03 Requests for New Loans. The Borrower must give to the Administrative Agent written notice (or telephonic notice promptly confirmed in writing) of any requested Borrowing of Loans to be funded by Lenders, except in the case of Swingline Loans under a cash management arrangement as provided below. Each such notice constitutes a "Loan Notice" hereunder and must:

(a) specify (i) the aggregate amount of any such Borrowing of Base Rate Loans and the date on which such Base Rate Loans are to be advanced, (ii) the aggregate amount of any such Borrowing of Eurodollar Loans, the date on which such Eurodollar Loans are to be advanced (which shall be the first day of the Interest Period which is to apply thereto), and the length of the applicable Interest Period, or (iii) the aggregate amount of any such Borrowing of Swingline Loans and the date on which such Swingline Loans are to be advanced; and

(b) be received by the Administrative Agent not later than 11:00 a.m. on (i) the day on which any such Base Rate Loans or Swingline Loans are to be made, or (ii) the third Business Day preceding the day on which any such Eurodollar Loans are to be made.

Each such written request or confirmation must be made in the form and substance of the Loan Notice, duly completed. Each such telephonic request shall be deemed a representation,

warranty, acknowledgment and agreement by the Borrower as to the matters which are required to be set out in such written confirmation. Upon receipt of any such Loan Notice requesting Revolving Credit Loans, the Administrative Agent shall give each Lender prompt notice of the terms thereof. Upon receipt of any such Loan Notice requesting Swingline Loans, the Administrative Agent shall give the Swingline Lender prompt notice of the terms thereof. In the case of Revolving Credit Loans, if all conditions precedent to such new Loans have been met, each Lender will on the date requested promptly remit to the Administrative Agent at the Administrative Agent's Office the amount of such Lender's Loan in immediately available funds, and upon receipt of such funds, unless to its actual knowledge any conditions precedent to such Loans have been neither met nor waived as provided herein, the Administrative Agent shall promptly make such Loans available to the Borrower. In the case of Swingline Loans, if all conditions precedent to such new Loans have been met, the Swingline Lender will on the date requested promptly remit to the Administrative Agent at the Administrative Agent's Office the amount of such Swingline Loan in immediately available funds, and upon receipt of such funds, unless to its actual knowledge any conditions precedent to such Swingline Loan have been neither met nor waived as provided herein, the Administrative Agent shall promptly make such Loans available to the Borrower. Revolving Credit Loans to be made for the purpose of refunding Swingline Loans shall be made by the Lenders as provided in Section 2.02(b). The Borrower may maintain with the Swingline Lender operating accounts with a cash management arrangement for the automatic funding and repayment of Swingline Loans according to cash needs or excess cash existing in the operating accounts at the end of each Business Day. No request to the Administrative Agent by the Borrower is required for the funding or repayment of Swingline Loans in connection with such arrangement; provided, however, the Borrower must notify the Swingline Lender and the Administrative Agent immediately on any Business Day if one or more of the applicable conditions specified in Article IV is not then satisfied and instruct the Swingline Lender not to fund Swingline Loans under such arrangement until the Borrower has notified the Swingline Lender and the Administrative Agent that all applicable conditions specified in Article IV are satisfied.

2.04 Continuations and Conversions of Existing Loans. The Borrower may make the following elections with respect to Revolving Credit Loans already outstanding: to Convert, in whole or in part, Base Rate Loans to Eurodollar Loans, to Convert, in whole or in part, Eurodollar Loans to Base Rate Loans on the last day of the Interest Period applicable thereto, and to Continue, in whole or in part, Eurodollar Loans beyond the expiration of such Interest Period by designating a new Interest Period to take effect at the time of such expiration. In making such elections, the Borrower may combine existing Revolving Credit Loans made pursuant to separate Borrowings into one new Borrowing or divide existing Revolving Credit Loans made pursuant to one Borrowing into separate new Borrowings, provided, that (i) the Borrower may have no more than twelve (12) Borrowings of Eurodollar Loans outstanding at any time, (ii) the aggregate amount of all Base Rate Loans in any Borrowing must be equal to $1,000,000 or any higher integral multiple of $500,000, and (iii) the aggregate amount of all Eurodollar Loans in any Borrowing must be equal to $5,000,000 or any higher integral multiple of $1,000,000. To make any such election, the Borrower must give to the Administrative Agent written notice (or telephonic notice promptly confirmed in writing) of any such Conversion or Continuation of existing Loans, with a separate notice given for each new Borrowing. Each such notice must:

(a) specify the existing Loans which are to be Continued or Converted;

(b) specify (i) the aggregate amount of any Borrowing of Base Rate Loans into which such existing Loans are to be Continued or Converted and the date on which such Continuation or Conversion is to occur, or (ii) the aggregate amount of any Borrowing of Eurodollar Loans into which such existing Loans are to be Continued or Converted, the date on which such Continuation or Conversion is to occur (which shall be the first day of the Interest Period which is to apply to such Eurodollar Loans), and the length of the applicable Interest Period; and

(c) be received by the Administrative Agent not later than 11:00 a.m. on (i) the day on which any such Conversion to Base Rate Loans is to occur, or (ii) the third Business Day preceding the day on which any such Continuation or Conversion to Eurodollar Loans is to occur.

Each such written request or confirmation must be made in the form and substance of the Loan Notice, duly completed. Each such telephonic request shall be deemed a representation, warranty, acknowledgment and agreement by the Borrower as to the matters which are required to be set out in such written confirmation. Upon receipt of any such Loan Notice, the Administrative Agent shall give each Lender prompt notice of the terms thereof. Each Loan Notice shall be irrevocable and binding on the Borrower. During the continuance of any Default, the Borrower may not make any election to Convert existing Loans into Eurodollar Loans or Continue existing Loans as Eurodollar Loans beyond the expiration of their respective and corresponding Interest Period then in effect. If (due to the existence of a Default or for any other reason) the Borrower fails to timely and properly give any Loan Notice with respect to a Borrowing of existing Eurodollar Loans at least three days prior to the end of the Interest Period applicable thereto, such Eurodollar Loans, to the extent not prepaid at the end of such Interest Period, shall automatically be Converted into Base Rate Loans at the end of such Interest Period. No new funds shall be repaid by the Borrower or advanced by any Lender in connection with any Continuation or Conversion of existing Loans pursuant to this section, and no such Continuation or Conversion shall be deemed to be a new advance of funds for any purpose; such Continuations and Conversions merely constitute a change in the interest rate, Interest Period or Type applicable to already outstanding Loans.

2.05 Use of Proceeds. The Borrower shall use the proceeds of all Loans (a) for working capital purposes, (b) purchases of common Equity Interests of the Borrower, (c) acquisitions of assets or Equity Interests otherwise permitted under the terms of this Agreement, and (d) for general business purposes. The Letters of Credit shall be used for general business purposes of the Borrower and its Restricted Subsidiaries. No part of the proceeds of any Loan will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board of Governors of the Federal Reserve System, including Regulations T, U and X. The Borrower represents and warrants that the Borrower is not engaged principally, or as one of the Borrower's important activities, in the business of extending credit to others for the purpose of purchasing or carrying such margin stock.

2.06 Prepayments of Loans. The Borrower may, upon three Business Days' notice to the Administrative Agent (which notice shall be irrevocable, and the Administrative Agent

will promptly give notice to the other Lenders), from time to time and without premium or penalty (other than Eurodollar Loan breakage costs, if any, pursuant to Section 3.05) prepay the Loans, in whole or in part, so long as the aggregate amounts of all partial prepayments of principal on the Loans equals $5,000,000 or any higher integral multiple of $1,000,000. Each prepayment of principal under this section shall be accompanied by all interest then accrued and unpaid on the principal so prepaid. Any principal or interest prepaid pursuant to this section shall be in addition to, and not in lieu of, all payments otherwise required to be paid under the Loan Documents at the time of such prepayment.

2.07 Letters of Credit. Subject to the terms and conditions hereof, during the Commitment Period the Borrower may request LC Issuer to issue, amend, or extend the expiration date of, one or more Letters of Credit for the account of the Borrower or any or its Restricted Subsidiaries, provided that:

(a) after taking such Letter of Credit into account the Facility Usage does not exceed the Aggregate Commitments at such time;

(b) the expiration date of such Letter of Credit is prior to the earlier of (i) 365 days after the issuance thereof, provided that such Letter of Credit may provide for automatic extensions of such expiration date (such Letter of Credit an "Auto-Extension Letter of Credit") for additional periods of 365 days thereafter, and (ii) five Business Days prior to the end of the Commitment Period;

(c) the issuance of such Letter of Credit will be in compliance with all applicable governmental restrictions, policies, and guidelines and will not subject LC Issuer to any cost which is not reimbursable under Article III;

(d) such Letter of Credit is in form and upon terms as shall be acceptable to LC Issuer in its sole and absolute discretion; and

(e) all other conditions in this Agreement to the issuance of such Letter of Credit have been satisfied.

LC Issuer will honor any such request if the foregoing conditions (a) through (e) (in the following Section 2.08 called the "LC Conditions") have been met as of the date of issuance, amendment, or extension of such Letter of Credit.

2.08 Requesting Letters of Credit. The Borrower must make written application for any Letter of Credit at least three Business Days (or such shorter period as may be agreed upon by the LC Issuer) before the date on which the Borrower desires for LC Issuer to issue such Letter of Credit. By making any such written application, unless otherwise expressly stated therein, the Borrower shall be deemed to have represented and warranted that the LC Conditions described in Section 2.07 will be met as of the date of issuance of such Letter of Credit. Each such written application for a Letter of Credit must be made in the form of the Letter of Credit Application. If all LC Conditions for a Letter of Credit have been met as described in Section 2.07 on any Business Day before 11:00 a.m., LC Issuer will issue such Letter of Credit

on the same Business Day at LC Issuer's Lending Office. If the LC Conditions are met as described in Section 2.07 on any Business Day on or after 11:00 a.m., LC Issuer will issue such Letter of Credit on the next succeeding Business Day at LC Issuer's Lending Office. If any provisions of any LC Application conflict with any provisions of this Agreement, the provisions of this Agreement shall govern and control. Unless otherwise directed by the L/C Issuer, the Borrower shall not be required to make a specific request to the L/C Issuer for any extension of an Auto-Extension Letter of Credit. Once an Auto-Extension Letter of Credit has been issued, the Lenders shall be deemed to have authorized (but may not require) the L/C Issuer to permit the extension of such Letter of Credit at any time to an expiry date not later than five Business Days prior to the end of the Commitment Period; provided, however, that the L/C Issuer shall not permit any such extension if (A) the L/C Issuer has determined that it would not be permitted at such time to issue such Letter of Credit in its revised form (as extended) under the terms hereof, or (B) it has received notice (which may be by telephone or in writing) from the Administrative Agent, any Lender or the Borrower on or before the day that is five Business Days before the last day in which notice of non-extension for such Letter of Credit may be given that one or more of the applicable conditions specified in Section 4.02 is not then satisfied, and directing the L/C Issuer not to permit such extension.

2.09 Reimbursement and Participations.

(a) Reimbursement. Each Matured LC Obligation shall constitute a loan by LC Issuer to the Borrower. The Borrower promises to pay to LC Issuer, or to LC Issuer's order, on demand, the full amount of each Matured LC Obligation together with interest thereon (i) at the Base Rate plus the Applicable Margin for Base Rate Loans to and including the second Business Day after the Matured LC Obligation is incurred, subject to Section 2.09(b), and (ii) at the Default Rate applicable to Base Rate Loans on each day thereafter.

(b) Letter of Credit Advances. If the beneficiary of any Letter of Credit makes a draft or other demand for payment thereunder, then the Borrower shall be deemed to have requested the Lenders make Loans to the Borrower in the amount of such draft or demand, which Loans shall be made concurrently with LC Issuer's payment of such draft or demand and shall be immediately used by LC Issuer to repay the amount of the resulting Matured LC Obligation. Such deemed request by the Borrower shall be made in compliance with all of the provisions hereof, provided that for the purposes of the first sentence of Section 2.01, the amount of such Loans shall be considered, but the amount of the Matured LC Obligation to be concurrently paid by such Loans shall not be considered.

(c) Participation by Lenders. LC Issuer irrevocably agrees to grant and hereby grants to each Lender, and – to induce LC Issuer to issue Letters of Credit hereunder – each Lender irrevocably agrees to accept and purchase and hereby accepts and purchases from LC Issuer, on the terms and conditions hereinafter stated and for such Lender's own account and risk an undivided interest equal to such Lender's Applicable Percentage of LC Issuer's obligations and rights under each Letter of Credit issued hereunder and the amount of each Matured LC Obligation paid by LC Issuer thereunder. Each Lender unconditionally and irrevocably agrees with LC Issuer that, if a Matured LC Obligation is paid under any Letter of Credit for which LC Issuer is not reimbursed in full by the Borrower in accordance with the terms of this Agreement

and the related LC Application (including any reimbursement by means of concurrent Loans or by the application of LC Collateral), such Lender shall (in all circumstances and without set-off or counterclaim) pay to LC Issuer on demand, in immediately available funds at LC Issuer's Lending Office, such Lender's Applicable Percentage of such Matured LC Obligation (or any portion thereof which has not been reimbursed by the Borrower). Each Lender's obligation to pay LC Issuer pursuant to the terms of this subsection is irrevocable and unconditional. If any amount required to be paid by any Lender to LC Issuer pursuant to this subsection is paid by such Lender to LC Issuer within three Business Days after the date such payment is due, LC Issuer shall in addition to such amount be entitled to recover from such Lender, on demand, interest thereon calculated from such due date at the Federal Funds Rate. If any amount required to be paid by any Lender to LC Issuer pursuant to this subsection is not paid by such Lender to LC Issuer within three Business Days after the date such payment is due, LC Issuer shall in addition to such amount be entitled to recover from such Lender, on demand, interest thereon calculated from such due date at the Base Rate plus the Base Rate Margin.

(d) Distributions to Participants. Whenever LC Issuer has in accordance with this Section received from any Lender payment of such Lender's Applicable Percentage of any Matured LC Obligation, if LC Issuer thereafter receives any payment of such Matured LC Obligation or any payment of interest thereon (whether directly from the Borrower or by application of LC Collateral or otherwise, and excluding only interest for any period prior to LC Issuer's demand that such Lender make such payment of its Applicable Percentage), LC Issuer will distribute to such Lender its Applicable Percentage of the amounts so received by LC Issuer; provided, however, that if any such payment received by LC Issuer must thereafter be returned by LC Issuer, such Lender shall return to LC Issuer the portion thereof which LC Issuer has previously distributed to it.

(e) Calculations. A written advice setting forth in reasonable detail the amounts owing under this Section, submitted by LC Issuer to the Borrower or any Lender from time to time, shall be conclusive, absent manifest error, as to the amounts thereof.

(f) Obligations Absolute. The Borrower's obligation to reimburse Matured LC Obligations shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by the Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, the Borrower's obligations hereunder. Neither the Administrative Agent, the Lenders nor the LC Issuer, nor any of their Related Parties, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other

communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the LC Issuer; provided that the foregoing shall not be construed to excuse the LC Issuer from liability to the Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by the LC Issuer's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or willful misconduct on the part of the LC Issuer (as finally determined by a court of competent jurisdiction), the LC Issuer shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the LC Issuer may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

2.10 No Duty to Inquire.

(a) Drafts and Demands. LC Issuer is authorized and instructed to accept and pay drafts and demands for payment under any Letter of Credit without requiring, and without responsibility for, any determination as to the existence of any event giving rise to said draft, either at the time of acceptance or payment or thereafter. LC Issuer is under no duty to determine the proper identity of anyone presenting such a draft or making such a demand (whether by tested telex or otherwise) as the officer, representative or agent of any beneficiary under any Letter of Credit, and payment by LC Issuer to any such beneficiary when requested by any such purported officer, representative or agent is hereby authorized and approved. The Borrower releases LC Issuer and each Lender from, and agrees to hold LC Issuer and each Lender harmless and indemnified against, any liability or claim in connection with or arising out of the subject matter of this section, which indemnity shall apply whether or not any such liability or claim is in any way or to any extent caused, in whole or in part, by any negligent act or omission of any kind by any LC Issuer or Lender, provided only that no LC Issuer or Lender shall be entitled to indemnification for that portion, if any, of any liability or claim which is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment.

(b) Extension of Maturity. If the maturity of any Letter of Credit is extended by its terms or by Law or governmental action, if any extension of the maturity or time for presentation of drafts or any other modification of the terms of any Letter of Credit is made at the request of the Borrower, or if the amount of any Letter of Credit is increased or decreased at the request of the Borrower, this Agreement shall be binding upon all Restricted Persons with respect to such Letter of Credit as so extended, increased, decreased or otherwise modified, with respect to drafts and property covered thereby, and with respect to any action taken by LC Issuer, LC Issuer's correspondents, or any Lender in accordance with such extension, increase, decrease or other modification.

(c) Transferees of Letters of Credit. If any Letter of Credit provides that it is transferable, LC Issuer shall have no duty to determine the proper identity of anyone appearing as transferee of such Letter of Credit, nor shall LC Issuer be charged with responsibility of any nature or character for the validity or correctness of any transfer or successive transfers, and payment by LC Issuer to any purported transferee or transferees as determined by LC Issuer is hereby authorized and approved, and the Borrower releases LC Issuer and each Lender from, and agrees to hold LC Issuer and each Lender harmless and indemnified against, any liability or claim in connection with or arising out of the foregoing, which indemnity shall apply whether or not any such liability or claim is in any way or to any extent caused, in whole or in part, by any negligent act or omission of any kind by any LC Issuer or Lender, provided only that neither LC Issuer nor any Lender shall be entitled to indemnification for that portion, if any, of any liability or claim which is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment.

2.11 LC Collateral.

(a) Acceleration of LC Obligations. If the Obligations or any part thereof become immediately due and payable pursuant to Section 8.02 then, unless the Administrative Agent, acting on the instruction of Majority Lenders, shall otherwise specifically elect to the contrary (which election may thereafter be retracted by the Administrative Agent, acting on the instruction of Majority Lenders, at any time), the Borrower shall be obligated to pay to LC Issuer immediately an amount equal to the aggregate LC Obligations which are then outstanding to be held as LC Collateral. Nothing in this subsection shall, however, limit or impair any rights which LC Issuer may have under any other document or agreement relating to any Letter of Credit, LC Collateral or LC Obligation, including any LC Application, or any rights which LC Issuer or any Lender may have to otherwise apply any payments by the Borrower and any LC Collateral under Section 2.14.

(b) Investment of LC Collateral. Pending application thereof, all LC Collateral shall be invested by LC Issuer in such Cash Equivalents as LC Issuer may choose in its sole discretion. All interest on (and other proceeds of) such Investments shall be reinvested or applied to Matured LC Obligations or other Obligations which are due and payable. When all Obligations have been satisfied in full, including all LC Obligations, all Letters of Credit have expired or been terminated, and all of the Borrower's reimbursement obligations in connection therewith have been satisfied in full, LC Issuer shall release to the Borrower any remaining LC Collateral. The Borrower hereby assigns and grants to LC Issuer for the benefit of Lenders a continuing security interest in all LC Collateral paid by it to LC Issuer, all Investments purchased with such LC Collateral, and all proceeds thereof to secure its Matured LC Obligations and its Obligations under this Agreement, each Note, and the other Loan Documents. The Borrower further agrees that LC Issuer shall have all of the rights and remedies of a secured party under the UCC with respect to such security interest and that an Event of Default under this Agreement shall constitute a default for purposes of such security interest.

(c) Payment of LC Collateral. If the Borrower is required to provide LC Collateral for any reason but fails to do so as required, LC Issuer or the Administrative Agent may without prior notice to the Borrower or any other Restricted Person provide such LC Collateral (whether

by transfers from other accounts maintained with LC Issuer, or otherwise) using any available funds of the Borrower or any other Person also liable to make such payments, and LC Issuer or the Administrative Agent will give notice thereof to the Borrower promptly after such application or transfer. Any such amounts which are required to be provided as LC Collateral and which are not provided on the date required shall be considered past due Obligations owing hereunder.

2.12 Interest Rates and Fees.

(a) Interest Rates. Unless the Default Rate shall apply, (i) each Base Rate Loan shall bear interest on each day outstanding at the Base Rate plus the Applicable Rate for Base Rate Loans in effect on such day, (ii) each Eurodollar Loan shall bear interest on each day during the related Interest Period at the related Eurodollar Rate plus the Applicable Rate for Eurodollar Loans in effect on such day, and (iii) each Swingline Loan shall bear interest on each day outstanding at the LIBOR Reference Rate plus the Applicable Rate for Eurodollar Loans in effect on such day. During a Default Rate Period, all Loans and other Obligations shall bear interest on each day outstanding at the applicable Default Rate. The interest rate shall change whenever the applicable Base Rate, the Eurodollar Rate, the LIBOR Reference Rate or the Applicable Rate for Eurodollar Loans changes. In no event shall the interest rate on any Loan exceed the Maximum Rate.

(b) Commitment Fees. In consideration of each Lender's commitment to make Loans, the Borrower will pay to the Administrative Agent for the account of each Lender a commitment fee determined on a daily basis equal to the Applicable Rate for commitment fees in effect on such day times such Lender's Applicable Percentage of the unused portion of the Aggregate Commitments on each day during the Commitment Period, determined for each such day by deducting from the amount of the Aggregate Commitments at the end of such day the Facility Usage. For the purposes of calculating the commitment fee pursuant to this subsection (b), the aggregate amount of outstanding Swingline Loans shall not be included in the term Facility Usage. This commitment fee shall be due and payable in arrears on the last day of each Fiscal Quarter and at the end of the Commitment Period.

(c) Letter of Credit Fees. In consideration of LC Issuer's issuance of any Letter of Credit, the Borrower agrees to pay to the Administrative Agent, for the account of all Lenders in accordance with their respective Applicable Percentages, a letter of credit fee equal to the Applicable Rate for Eurodollar Loans then in effect (or the Default Rate during the Default Rate Period) applicable each day times the face amount of such Letter of Credit. Such fee will be calculated on the face amount of each Letter of Credit outstanding on each day at the above applicable rates and will be payable in arrears on the last day of each Fiscal Quarter. In addition, the Borrower will pay a minimum administrative issuance fee equal to the greater of $150 or one-eighth percent (0.125%) per annum of the face amount of each Letter of Credit and such other fees and charges customarily charged by the LC Issuer in respect of any issuance, amendment or negotiation of any Letter of Credit in accordance with the LC Issuer's published schedule of such charges effective as of the date of such amendment or negotiation; such fees will be payable in arrears on the last day of each Fiscal Quarter.

(d) Administrative Agent's Fees. In addition to all other amounts due to the Administrative Agent under the Loan Documents, the Borrower will pay fees to the Administrative Agent as described in the Fee Letter.

(e) Calculations and Determinations. All calculations of interest chargeable with respect to the Eurodollar Rate and of fees shall be made on the basis of actual days elapsed (including the first day but excluding the last) and a year of 360 days. All calculations under the Loan Documents of interest chargeable with respect to the Base Rate shall be made on the basis of actual days elapsed (including the first day but excluding the last) and a year of 365 or 366 days, as appropriate.

(f) Past Due Obligations. The Borrower hereby promises to each Lender to pay interest at the Default Rate on all Obligations (including Obligations to pay fees or to reimburse or indemnify any Lender) which the Borrower has in this Agreement promised to pay to such Lender and which are not paid when due. Such interest shall accrue from the date such Obligations become due until they are paid.

2.13 Evidence of Debt.

(a) Credit Extensions. The Credit Extensions made by each Lender shall be evidenced by one or more accounts or records maintained by such Lender and by the Administrative Agent in the ordinary course of business. The accounts or records maintained by the Administrative Agent and each Lender shall be conclusive absent manifest error of the amount of the Credit Extensions made by the Lenders to the Borrower and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrower hereunder to pay any amount owing with respect to the Obligations. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Administrative Agent in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error. Upon the request of any Lender made through the Administrative Agent, the Borrower shall execute and deliver to such Lender (through the Administrative Agent) a Note, which shall evidence such Lender's Loans in addition to such accounts or records. Each Lender may attach schedules to its Note and endorse thereon the date, Type (if applicable), amount and maturity of its Loans and payments with respect thereto.

(b) Letters of Credit. In addition to the accounts and records referred to in subsection (a), each Lender and the Administrative Agent shall maintain in accordance with its usual practice accounts or records evidencing the purchases and sales by such Lender of participations in Letters of Credit. In the event of any conflict between the accounts and records maintained by the Administrative Agent and the accounts and records of any Lender in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error.

2.14 Payments Generally; Administrative Agent's Clawback.

(a) General. All payments to be made by the Borrower shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by the Borrower hereunder shall be made (i) with respect to Revolving Credit Loans, to the Administrative Agent, for the account of the respective Lenders to which such payment is owed, and (ii) with respect to Swingline Loans, to the Administrative Agent, for the account of the Swingline Lender. Each such payment shall be made at the Administrative Agent's Office in Dollars and in immediately available funds not later than 3:00 p.m. on the date specified herein. The Administrative Agent will promptly distribute to each Lender its Applicable Percentage (or other applicable share as provided herein) of each such payment with respect to Revolving Credit Loans in like funds as received by wire transfer to such Lender's Lending Office. All payments received by the Administrative Agent after 3:00 p.m. shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue. If any payment to be made by the Borrower shall come due on a day other than a Business Day, payment shall be made on the next following Business Day, and such extension of time shall be reflected in computing interest or fees, as the case may be.

(b) (i) Funding by Lenders; Presumption by Administrative Agent. Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.03 and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount in immediately available funds with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (A) in the case of a payment to be made by such Lender, the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation and (B) in the case of a payment to be made by the Borrower, the interest rate applicable to Base Rate Loans. If the Borrower and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrower the amount of such interest paid by the Borrower for such period. If such Lender pays its share of the applicable Borrowing to the Administrative Agent, then the amount so paid shall constitute such Lender's Loan included in such Borrowing. Any payment by the Borrower shall be without prejudice to any claim the Borrower may have against a Lender that shall have failed to make such payment to the Administrative Agent.

(ii) Payments by Borrower; Presumptions by Administrative Agent. Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or the LC Issuer hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such

date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the LC Issuer, as the case may be, the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders or the LC Issuer, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or the LC Issuer, in immediately available funds with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

A notice of the Administrative Agent to any Lender or the Borrower with respect to any amount owing under this subsection (b) shall be conclusive, absent manifest error.

(c) Failure to Satisfy Conditions Precedent. If any Lender makes available to the Administrative Agent funds for any Loan to be made by such Lender as provided in the foregoing provisions of this Article II, and such funds are not made available to the Borrower by the Administrative Agent because the conditions to the applicable Credit Extension set forth in Article IV are not satisfied or waived in accordance with the terms hereof, the Administrative Agent shall return such funds (in like funds as received from such Lender) to such Lender, without interest.

(d) Obligations of Lenders Several. The obligations of the Lenders hereunder to make Loans, to fund participations in Letters of Credit and to make payments pursuant to Section 10.04(c) are several and not joint. The failure of any Lender to make any Loan, to fund any such participation or to make any payment under Section 10.04(c) on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Loan, to purchase its participation or to make its payment under Section 10.04(c).

(e) Funding Source. Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

2.15 Sharing of Payments by Lenders. If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of the Loans made by it, or the participations in LC Obligations held by it resulting in such Lender's receiving payment of a proportion of the aggregate amount of such Loans or participations and accrued interest thereon greater than its pro rata share thereof as provided herein, then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans and subparticipations in LC Obligations of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and other amounts owing them, provided that:

(a) if any such participations or subparticipations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations or subparticipations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(b) the provisions of this Section shall not be construed to apply to (i) any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or (ii) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or subparticipations in LC Obligations to any assignee or participant, other than to the Borrower or any Subsidiary thereof (as to which the provisions of this Section shall apply).

Each Restricted Person consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Restricted Person rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Restricted Person in the amount of such participation.

2.16 Reductions in Commitment. The Borrower shall have the right from time to time to permanently reduce the Aggregate Commitments, provided that (i) notice of such reduction is given not less than two Business Days prior to such reduction, (ii) the resulting Aggregate Commitments are not less than the Facility Usage, and (iii) each partial reduction shall be in an amount at least equal to $5,000,000 and in multiples of $1,000,000 in excess thereof.

2.17 Increase in Aggregate Commitments.

(a) The Borrower shall have the option, without the consent of the Lenders, from time to time to cause one or more increases in the Aggregate Commitments by adding, subject to the prior approval of the Administrative Agent (such approval not to be unreasonably withheld), to this Agreement one or more financial institutions as Lenders (collectively, the "New Lenders") or by allowing one or more Lenders to increase their respective Commitments; provided however that: (i) prior to and after giving effect to the increase, no Default or Event of Default shall have occurred hereunder and be continuing, (ii) no such increase shall cause the Aggregate Commitments to exceed $1,500,000,000, (iii) no Lender's Commitment shall be increased without such Lender's consent, and (iv) such increase shall be evidenced by a commitment increase agreement in form and substance acceptable to the Administrative Agent and executed by the Borrower, the Administrative Agent, New Lenders, if any, and Lenders increasing their Commitments, if any, and which shall indicate the amount and allocation of such increase in the Aggregate Commitments and the effective date of such increase (the "Increase Effective Date"). Each financial institution that becomes a New Lender pursuant to this Section by the execution and delivery to the Administrative Agent of the applicable commitment increase agreement shall be a "Lender" for all purposes under this Agreement on the applicable Increase Effective Date. The Borrower shall borrow and prepay Loans on each Increase Effective Date (and pay any additional amounts required pursuant to Section 3.06) to the extent necessary to keep the outstanding Loans of each Lender ratable with such Lender's revised

Applicable Percentage after giving effect to any nonratable increase in the Aggregate Commitments under this Section.

(b) As a condition precedent to each increase pursuant to subsection (a) above, the Borrower shall deliver to the Administrative Agent, to the extent requested by the Administrative Agent, the following in form and substance satisfactory to the Administrative Agent:

(i) a certificate dated as of the Increase Effective Date, signed by a Responsible Officer of the Borrower certifying that each of the conditions to such increase set forth in this Section shall have occurred and been complied with and that, before and after giving effect to such increase, (A) the representations and warranties contained in this Agreement and the other Loan Documents are true and correct in all material respects on and as of the Increase Effective Date after giving effect to such increase, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they were true and correct in all material respects as of such earlier date, and (B) no Default or Event of Default exists;

(ii) such certificates of resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of the Borrower and each Guarantor as the Administrative Agent may require evidencing the identity, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with such increase agreement and any Guarantors' consent to such increase agreement, and such documents and certifications as the Administrative Agent may require to evidence that the Borrower and each Guarantor is validly existing and in good standing in its jurisdiction of organization; and

(iii) a favorable opinion of Winston & Strawn LLP, counsel to the Restricted Persons, and a favorable opinion of Vinson & Elkins L.L.P., local counsel to the Restricted Persons for the State of Texas, relating to such increase agreement and any Guarantors' consent to such increase agreement, each addressed to the Administrative Agent and each Lender.

2.18 Extension of Maturity Date; Removal of Lenders.

(a) Subject to the remaining terms and provisions of this Section 2.18, the Borrower shall have two successive options to extend the Maturity Date for a period of 364 days each (the first of which extension options shall be referred to herein as the "First Extension Option" and the second of which extension options shall be referred to herein as the "Second Extension Option"). In connection with the First Extension Option, the Borrower may, by written notice to the Administrative Agent (a "Notice of Extension") given not earlier than 60 days prior to the first anniversary of the Effective Date nor later than 45 days prior to the then effective Maturity Date, advise the Lenders that it requests an extension of the then effective Maturity Date (such then effective Maturity Date being the "Existing Maturity Date") by 364 calendar days, effective on the Existing Maturity Date. In the event the First Extension Option is exercised and the Existing Maturity Date is extended pursuant to the terms of this Section 2.18, the Borrower may, by Notice of Extension given not earlier than 364 calendar days following the date of delivery of

the Notice of Extension provided in connection with the First Extension Option nor later than 45 days prior to the Existing Maturity Date, advise the Lenders that it has elected to exercise the Second Extension Option and request to extend the Existing Maturity Date by 364 calendar days, effective on said Existing Maturity Date. The Administrative Agent will promptly, and in any event within five Business Days of the receipt of any such Notice of Extension, notify the Lenders of the contents of each such Notice of Extension.

(b) Each Notice of Extension shall (i) be irrevocable and (ii) constitute a representation by the Borrower that (A) no Event of Default or Default has occurred and is continuing and no event or circumstance has occurred that has had a Material Adverse Effect, and (B) the representations and warranties contained in Article V are correct on and as of the date Borrower provides any Notice of Extension, as though made on and as of such date (unless any representation and warranty expressly relates to an earlier date, in which case such representation and warranty shall be correct as of such earlier date).

(c) In the event a Notice of Extension is given to the Administrative Agent as provided in Section 2.18(a) and the Administrative Agent notifies a Lender of the contents thereof, such Lender shall, on or before the day that is 20 days following the date of Administrative Agent's receipt of said Notice of Extension, advise the Administrative Agent in writing whether or not such Lender consents to the extension requested thereby and if any Lender fails so to advise the Administrative Agent, such Lender shall be deemed to have not consented to such extension. If the Required Lenders so consent (the "Consenting Lenders") to such extension, which consent may be withheld in their sole and absolute discretion, and any and all Lenders who have not consented (the "Non-Consenting Lenders") are replaced pursuant to paragraph (d) or (e) of this Section 2.18 or repaid pursuant to paragraph (f) of this Section 2.18, the Maturity Date, and the Commitments of the Consenting Lenders and the Nominees (as defined below) shall be automatically extended 364 calendar days from the Existing Maturity Date, effective on the Existing Maturity Date. The Administrative Agent shall promptly notify the Borrower and all of the Lenders of each written notice of consent given pursuant to this Section 2.18(c).

(d) In the event the Consenting Lenders hold less than 100% of the sum of the aggregate Facility Usage and unused Commitments, the Consenting Lenders, or any of them, shall have the right (but not the obligation) to assume all or any portion of the Non-Consenting Lenders' Commitments by giving written notice to the Borrower and the Administrative Agent of their election to do so on or before the day that is 25 days following the date of Administrative Agent's receipt of the Notice of Extension, which notice shall be irrevocable and shall constitute an undertaking to (i) assume, as of 5:00 p.m. on the Existing Maturity Date, all or such portion of the Commitments of the Non-Consenting Lenders, as the case may be, as may be specified in such written notice, and (ii) purchase (without recourse) from the Non-Consenting Lenders, at 5:00 p.m. on the Existing Maturity Date, the Facility Usage outstanding on the Existing Maturity Date that corresponds to the portion of the Commitments to be so assumed at a price equal to the sum of (x) the unpaid principal amount of all Loans so purchased, plus (y) the aggregate amount, if any, previously funded by the transferor or any participations so purchased, plus (z) all accrued and unpaid interest thereon and accrued unpaid commitment fees in respect of such Commitments. Such Commitments and Facility Usage, or portion thereof, to be assumed and

purchased by Consenting Lenders shall be allocated by the Administrative Agent among those Consenting Lenders who have so elected to assume the same, such allocation to be on a pro rata basis in accordance with the respective Commitments of such Consenting Lenders as of the Existing Maturity Date (provided, however, in no event shall a Consenting Lender be required to assume and purchase an amount or portion of the Commitments of and Obligation owing to the Non-Consenting Lenders in excess of the amount which such Consenting Lender agreed to assume and purchase pursuant to the immediately preceding sentence) or on such other basis as such Consenting Lender shall agree. The Administrative Agent shall promptly notify the Borrower and the other Consenting Lenders in the event it receives any notice from a Consenting Lender pursuant to this Section 2.18(d).

(e) Conditions to Effectiveness of Extensions. In the event that the Consenting Lenders shall not elect as provided in Section 2.18(d) to assume and purchase all of the Non-Consenting Lenders' Commitments and Facility Usage, the Borrower may designate, by written notice to the Administrative Agent and the Consenting Lenders given on or before the day that is 30 days following the date of Administrative Agent's receipt of the Notice of Extension, one or more assignees not a party to this Agreement (individually, a "Nominee" and collectively, the "Nominees") to assume all or any portion of the Non-Consenting Lenders' Commitments not to be assumed by the Consenting Lenders and to purchase (without recourse) from the Non-Consenting Lenders all Facility Usage outstanding at 5:00 p.m. on the Existing Maturity Date that corresponds to the portion of the Commitments so to be assumed at the price specified in Section 2.18(d). Each assumption and purchase under this Section 2.18(e) shall be effective as of 5:00 p.m. on the Existing Maturity Date when each of the following conditions has been satisfied in a manner satisfactory to the Administrative Agent:

(i) each Nominee and the Non-Consenting Lenders have executed an Assignment and Assumption pursuant to which such Nominee shall (A) assume in writing its share of the obligations of the Non-Consenting Lenders hereunder, including its share of the Commitments of the Non-Consenting Lenders and (B) agree to be bound as a Lender by the terms of this Agreement;

(ii) each Nominee shall have completed and delivered to the Administrative Agent an Administrative Questionnaire; and

(iii) the assignment shall otherwise comply with Section 10.06.

(f) If all of the Commitments of the Non-Consenting Lenders are not replaced on or before the Existing Maturity Date, then, at the Borrower's option, either (i) all Commitments shall terminate on the Existing Maturity Date or (ii) the Borrower shall give prompt notice of termination on the Existing Maturity Date of the Commitments of each Non-Consenting Lender not so replaced to the Administrative Agent, and shall fully repay on the Existing Maturity Date the Loans (including, without limitation, all accrued and unpaid interest and unpaid fees), if any, of such Non-Consenting Lenders, which shall reduce the aggregate Commitments accordingly (to the extent not assumed), and the Existing Maturity Date shall be extended in accordance with this Section 2.18 for the remaining Commitments of the Consenting Lenders; provided, however, that the Required Lenders have consented to such extension pursuant to Section 2.18(c).

Following the Existing Maturity Date, the Non-Consenting Lenders shall have no further obligations under this Agreement, including, without limitation, that such Non-Consenting Lenders shall have no obligation to purchase participations in Letters of Credit.

ARTICLE III.
TAXES, YIELD PROTECTION AND ILLEGALITY

3.01 Taxes.

(a) Payments Free of Taxes. Any and all payments by or on account of any obligation of the Borrower hereunder or under any other Loan Document shall be made free and clear of and without reduction or withholding for any Indemnified Taxes or Other Taxes, provided that if the Borrower shall be required by applicable law to deduct any Indemnified Taxes (including any Other Taxes) from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent, Lender or LC Issuer, as the case may be, receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall timely pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) Payment of Other Taxes by the Borrower. Without limiting the provisions of subsection (a) above, the Borrower shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Indemnification by the Borrower. The Borrower shall indemnify the Administrative Agent, each Lender and the LC Issuer, within 10 days after demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Administrative Agent, such Lender or the LC Issuer, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto (provided that the Borrower shall not indemnify the Administrative Agent, any Lender or the LC Issuer for any such penalties, interest and reasonable expenses arising solely from such party's failure to notify the Borrower of such Indemnified Taxes or Other Taxes within a reasonable period of time after such party has actual knowledge of such Indemnified Taxes or Other Taxes), whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender or the LC Issuer (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender or the LC Issuer, shall be conclusive absent manifest error.

(d) Evidence of Payments. As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Status of Lenders. Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is resident for tax purposes, or any treaty to which such jurisdiction is a party, with respect to payments hereunder or under any other Loan Document shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements.

Without limiting the generality of the foregoing, any Foreign Lender shall deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the request of the Borrower or the Administrative Agent, but only if such Foreign Lender is legally entitled to do so), whichever of the following is applicable:

(i) duly completed copies of Internal Revenue Service Form W-8BEN claiming eligibility for benefits of an income tax treaty to which the United States is a party,

(ii) duly completed copies of Internal Revenue Service Form W-8ECI,

(iii) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under section 881(c) of the Code, (x) a certificate to the effect that such Foreign Lender is not (A) a "bank" within the meaning of section 881(c)(3)(A) of the Code, (B) a "10 percent shareholder" of the Borrower within the meaning of section 881(c)(3)(B) of the Code, or (C) a "controlled foreign corporation" described in section 881(c)(3)(C) of the Code and (y) duly completed copies of Internal Revenue Service Form W-8BEN, or

(iv) any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in United States Federal withholding tax duly completed together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower to determine the withholding or deduction required to be made.

(f) Treatment of Certain Refunds. If the Administrative Agent, any Lender or the LC Issuer determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section, it shall pay to the Borrower an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent, such Lender or the LC

Issuer, as the case may be, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), provided that the Borrower, upon the request of the Administrative Agent, such Lender or the LC Issuer, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent, such Lender or the LC Issuer in the event the Administrative Agent, such Lender or the LC Issuer is required to repay such refund to such Governmental Authority. This subsection shall not be construed to require the Administrative Agent, any Lender or the LC Issuer to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the Borrower or any other Person.

3.02 Illegality. If any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its applicable Lending Office to make, maintain or fund Eurodollar Loans, or to determine or charge interest rates based upon the Eurodollar Rate, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the London interbank market, then, on notice thereof by such Lender to the Borrower through the Administrative Agent, any obligation of such Lender to make or continue Eurodollar Loans or to convert Base Rate Loans to Eurodollar Loans shall be suspended until such Lender notifies the Administrative Agent and the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrower shall, upon demand from such Lender (with a copy to the Administrative Agent), prepay or, if applicable, convert all Eurodollar Loans of such Lender to Base Rate Loans, either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such Eurodollar Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such Eurodollar Loans. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted.

3.03 Inability to Determine Rates. If the Majority Lenders determine that for any reason in connection with any request for a Eurodollar Loan or a conversion to or continuation thereof that (a) Dollar deposits are not being offered to banks in the London interbank eurodollar market for the applicable amount and Interest Period of such Eurodollar Loan, (b) adequate and reasonable means do not exist for determining the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Loan, or (c) the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Loan does not adequately and fairly reflect the cost to such Lenders of funding such Loan, the Administrative Agent will promptly so notify the Borrower and each Lender. Thereafter, the obligation of the Lenders to make or maintain Eurodollar Loans shall be suspended until the Administrative Agent (upon the instruction of the Majority Lenders) revokes such notice. Upon receipt of such notice, the Borrower may revoke any pending request for a Borrowing of, conversion to or continuation of Eurodollar Loans or, failing that, will be deemed to have converted such request into a request for a Borrowing of Base Rate Loans in the amount specified therein.

3.04 Increased Costs; Reserves on Eurodollar Loans.

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement contemplated by Section 3.04(e)) or the LC Issuer;

(ii) subject any Lender or the LC Issuer to any tax of any kind whatsoever with respect to this Agreement, any Letter of Credit, any participation in a Letter of Credit or any Eurodollar Loan made by it, or change the basis of taxation of payments to such Lender or the LC Issuer in respect thereof (except for Indemnified Taxes or Other Taxes covered by Section 3.01 and the imposition of, or any change in the rate of, any Excluded Tax payable by such Lender or the LC Issuer); or

(iii) impose on any Lender or the LC Issuer or the London interbank market any other condition, cost or expense affecting this Agreement or Eurodollar Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan (or of maintaining its obligation to make any such Loan), or to increase the cost to such Lender or the LC Issuer of participating in, issuing or maintaining any Letter of Credit (or of maintaining its obligation to participate in or to issue any Letter of Credit), or to reduce the amount of any sum received or receivable by such Lender or the LC Issuer hereunder (whether of principal, interest or any other amount) then, upon request of such Lender or the LC Issuer, the Borrower will pay to such Lender or the LC Issuer, as the case may be, such additional amount or amounts as will compensate such Lender or the LC Issuer, as the case may be, for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender or the LC Issuer determines that any Change in Law affecting such Lender or the LC Issuer or any Lending Office of such Lender or such Lender's or the LC Issuer's holding company, if any, regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or the LC Issuer's capital or on the capital of such Lender's or the LC Issuer's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by the LC Issuer, to a level below that which such Lender or the LC Issuer or such Lender's or the LC Issuer's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the LC Issuer's policies and the policies of such Lender's or the LC Issuer's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender or the LC Issuer, as the case may be, such additional amount or amounts as will compensate such Lender or the LC Issuer or such Lender's or the LC Issuer's holding company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of a Lender or the LC Issuer setting forth the amount or amounts necessary to compensate such Lender or the LC Issuer or its holding company, as the case may be, as specified in subsection (a) or (b) of this Section and delivered to the Borrower shall be conclusive absent manifest error. The Borrower shall pay such Lender or

the LC Issuer, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender or the LC Issuer to demand compensation pursuant to the foregoing provisions of this Section shall not constitute a waiver of such Lender's or the LC Issuer's right to demand such compensation, provided that the Borrower shall not be required to compensate a Lender or the LC Issuer pursuant to the foregoing provisions of this Section for any increased costs incurred or reductions suffered more than nine months prior to the date that such Lender or the LC Issuer, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or the LC Issuer's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine-month period referred to above shall be extended to include the period of retroactive effect thereof).

(e) Reserves on Eurodollar Loans. The Borrower shall pay to each Lender, as long as such Lender shall be required to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits (currently known as "Eurocurrency liabilities"), additional interest on the unpaid principal amount of each Eurodollar Loan equal to the actual costs of such reserves allocated to such Loan by such Lender (as determined by such Lender in good faith, which determination shall be conclusive), which shall be due and payable on each date on which interest is payable on such Loan, provided the Borrower shall have received at least 10 days' prior notice (with a copy to the Administrative Agent) of such additional interest from such Lender. If a Lender fails to give notice 10 days prior to the relevant Interest Payment Date, such additional interest shall be due and payable 10 days from receipt of such notice.

3.05 Compensation for Losses. Upon demand of any Lender (with a copy to the Administrative Agent) from time to time, the Borrower shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost or expense incurred by it as a result of:

(a) any Continuation, Conversion, payment or prepayment of any Loan other than a Base Rate Loan on a day other than the last day of the Interest Period for such Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise);

(b) any failure by the Borrower (for a reason other than the failure of such Lender to make a Loan) to prepay, borrow, Continue or Convert any Loan other than a Base Rate Loan on the date or in the amount notified by the Borrower; or

(c) any assignment of a Eurodollar Loan on a day other than the last day of the Interest Period therefor as a result of a request by the Borrower pursuant to Section 10.13;

including any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Loan or from fees payable to terminate the deposits from which such funds were obtained (but excluding any loss of anticipated profits). The Borrower shall also pay any customary administrative fees charged by such Lender in connection with the foregoing.

For purposes of calculating amounts payable by the Borrower to the Lenders under this Section 3.05, each Lender shall be deemed to have funded each Eurodollar Loan made by it at the Eurodollar Rate for such Loan by a matching deposit or other borrowing in the London interbank eurodollar market for a comparable amount and for a comparable period, whether or not such Eurodollar Loan was in fact so funded.

3.06 Mitigation Obligations; Replacement of Lenders.

(a) Designation of a Different Lending Office. If any Lender requests compensation under Section 3.04, or the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, or if any Lender gives a notice pursuant to Section 3.02, then such Lender shall use reasonable efforts to designate a different Lending Office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 3.01 or 3.04, as the case may be, in the future, or eliminate the need for the notice pursuant to Section 3.02, as applicable, and (ii) in each case, would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) Replacement of Lenders. If any Lender requests compensation under Section 3.04, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, the Borrower may replace such Lender in accordance with Section 10.13.

3.07 Survival. All of the Borrower's obligations under this Article III shall survive termination of the Aggregate Commitments and repayment of all other Obligations hereunder.

ARTICLE IV.
CONDITIONS PRECEDENT TO CREDIT EXTENSIONS

4.01 Conditions of Initial Credit Extension. The obligation of the LC Issuer and each Lender to make its initial Credit Extension hereunder is subject to satisfaction of the following conditions precedent:

(a) The Administrative Agent shall have received all of the following, each dated the Closing Date (or, in the case of certificates of governmental officials, a recent date before the Closing Date) and each in form and substance satisfactory to the Administrative Agent:

(i) counterparts of this Agreement executed by the Borrower and each Lender, sufficient in number for distribution to the Administrative Agent, each Lender and the Borrower and a Guaranty executed by each Guarantor required to execute and deliver such Guaranty pursuant to Section 6.11 of this Agreement, sufficient in number for distribution to the Administrative Agent, the Borrower and their respective counsel;

(ii) a Note executed by the Borrower in favor of each Lender requesting a Note;

(iii) such certificates of resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of each Restricted Person as the Administrative Agent may require evidencing the identity, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with this Agreement and the other Loan Documents to which such Restricted Person is a party;

(iv) such documents and certifications as the Administrative Agent may reasonably require to evidence that each Restricted Person is duly organized or formed, and that each of the Borrower and each Guarantor is validly existing, in good standing and qualified to engage in business in each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect;

(v) a favorable opinion of Winston & Strawn LLP, counsel to the Restricted Persons, substantially in the form of Exhibit F, and a favorable opinion of Vinson & Elkins L.L.P., local counsel to the Restricted Persons for the State of Texas, in form and substance satisfactory to Administrative Agent, each addressed to the Administrative Agent and each Lender;

(vi) a certificate of a Responsible Officer of each Restricted Person either (A) attaching copies of all consents, licenses and approvals required in connection with the execution, delivery and performance by such Restricted Person and the validity against such Restricted Person of the Loan Documents to which it is a party, and such consents, licenses and approvals shall be in full force and effect, or (B) stating that no such consents, licenses or approvals are so required;

(vii) a certificate signed by a Responsible Officer of the Borrower certifying (A) that the conditions specified in Sections 4.02(a) and (b) have been satisfied, and (B) that there has been no event or circumstance since the date of the Initial Financial Statements that has had or could be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect;

(viii) a duly completed Compliance Certificate as of the last day of the Fiscal Quarter of the Borrower most recently ended prior to the Closing Date for which financial statements are available to the Borrower, signed by a Responsible Officer of the Borrower;

(ix) evidence that all insurance required to be maintained pursuant to the Loan Documents has been obtained and is in effect;

(x) evidence satisfactory to it that (A) all Loans (as defined in the Existing Credit Agreement) of the Lenders (as defined in the Existing Credit Agreement) shall

have been or shall concurrently be repaid in full, together with any accrued interest thereon and any accrued fees payable to such Lenders under the Existing Credit Agreement to the Closing Date, (B) the commitments under the Existing Credit Agreement of such Lenders shall have been or shall concurrently be terminated and (C) all Liens securing obligations (including Hedging Contracts) in connection with the Existing Credit Agreement are being concurrently released;

(xi) the Initial Financial Statements; and

(xii) such other assurances, certificates, documents, consents or opinions as the Administrative Agent, the LC Issuer or the Majority Lenders reasonably may require.

(b) The Borrower shall have a Rating from at least one Rating Agency of BBB- or better.

(c) Any fees required to be paid on or before the Closing Date shall have been paid.

(d) Unless waived by the Administrative Agent, the Borrower shall have paid all fees, charges and disbursements of counsel to the Administrative Agent to the extent invoiced prior to or on the Closing Date, plus such additional amounts of such fees, charges and disbursements as shall constitute its reasonable estimate of such fees, charges and disbursements incurred or to be incurred by it through the closing proceedings (provided that such estimate shall not thereafter preclude a final settling of accounts between the Borrower and the Administrative Agent).

Without limiting the generality of the provisions of Section 9.04, for purposes of determining compliance with the conditions specified in this Section 4.01, each Lender that has executed and delivered this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

4.02 Conditions to all Credit Extensions. No Lender has any obligation to make any Loan (including its first), and LC Issuer has no obligation to issue any Letter of Credit (including its first), unless the following conditions precedent have been satisfied:

(a) The representations and warranties of the Borrower set forth in this Agreement shall be true and correct in all material respects on and as of the date of such Borrowing or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable (but with respect to any amendment, renewal or extension, only in the event that the face amount of such Letter of Credit is actually increased), both before and after giving effect to such Borrowing or other Credit Extension, provided, however, for purposes of this Section 4.02, (i) to the extent that such representations and warranties specifically refer to an earlier date, they shall be true and correct as of such earlier date, (ii) the representations and warranties contained in Section 5.06(a) shall be deemed to refer to the most recent financial statements furnished pursuant to

Section 6.02, and (iii) the representation and warranty contained in Section 5.06(b) shall not need to be true and correct on any date after the date of the initial Credit Extension; and

(b) At the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Default shall have occurred and be continuing.

Each Borrowing and each issuance, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section.

ARTICLE V.
REPRESENTATIONS AND WARRANTIES

To confirm each Lender's understanding concerning Restricted Persons and Restricted Persons' businesses, properties and obligations and to induce each Lender to enter into this Agreement and to extend credit hereunder, the Borrower represents and warrants to each Lender that:

5.01 No Default. No Restricted Person is in default in the performance of any of the covenants and agreements contained in any Loan Document. No event has occurred and is continuing which constitutes a Default.

5.02 Organization and Good Standing. Each Restricted Person is duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization, having all powers required to carry on its business and enter into and carry out the transactions contemplated hereby. Each Restricted Person is duly qualified, in good standing, and authorized to do business in all other jurisdictions wherein the character of the properties owned or held by it or the nature of the business transacted by it makes such qualification necessary except where the failure to so qualify has not had, and could not reasonably be expected to have, a Material Adverse Effect.

5.03 Authorization. Each Restricted Person has duly taken all action necessary to authorize the execution and delivery by it of the Loan Documents to which it is a party and to authorize the consummation of the transactions contemplated thereby and the performance of its obligations thereunder. The Borrower is duly authorized to borrow funds and obtain Letters of Credit hereunder.

5.04 No Conflicts or Consents. The execution and delivery by the various Restricted Persons of the Loan Documents to which each is a party, the performance by each of its obligations under such Loan Documents, and the consummation of the transactions contemplated by the various Loan Documents, do not and will not (i) conflict with any provision of (1) any Law, (2) the organizational documents of any Restricted Person or the General Partner, or (3) any material agreement, judgment, license, order or permit applicable to or binding upon any Restricted Person or the General Partner, (ii) result in the acceleration of any Indebtedness owed by the Borrower, any of its Subsidiaries or the General Partner, or (iii) result in or require the

creation of any Lien upon any assets or properties of any Restricted Person or the General Partner. Except as expressly contemplated in the Loan Documents or disclosed in the Disclosure Schedule, no permit, consent, approval, authorization or order of, and no notice to or filing, registration or qualification with, any Tribunal or third party is required in connection with the execution, delivery or performance by any Restricted Person of any Loan Document or to consummate any transactions contemplated by the Loan Documents. No Restricted Person is in breach of or in default under any instrument, license or other agreement applicable to or binding upon such Restricted Person, which breach or default has had, or could reasonably be expected to have, a Material Adverse Effect.

5.05 Enforceable Obligations. This Agreement is, and the other Loan Documents when duly executed and delivered will be, legal, valid and binding obligations of each Restricted Person which is a party hereto or thereto, enforceable in accordance with their terms except as such enforcement may be limited by bankruptcy, insolvency or similar Laws of general application relating to the enforcement of creditors' rights.

5.06 Initial Financial Statements; No Material Adverse Change.

(a) The Borrower has heretofore delivered to the Lenders true, correct and complete copies of the Initial Financial Statements. All Initial Financial Statements were prepared in accordance with GAAP. The Initial Borrower Financial Statements fairly present the Borrower's Consolidated financial position at the date thereof, the Consolidated results of the Borrower's operations for the periods thereof and the Borrower's Consolidated cash flows for the period thereof. The Initial La Grange Financial Statements fairly present La Grange's Consolidated financial position at the date thereof, the Consolidated results of La Grange's operations for the period thereof and La Grange's Consolidated cash flows for the period thereof.

(b) Since the date of the Initial Financial Statements, no event or circumstance has occurred that has had a Material Adverse Effect.

5.07 Taxes, Obligations and Restrictions. No Restricted Person has any outstanding Liabilities of any kind (including contingent obligations, tax assessments, and unusual forward or long term commitments) that exceed $10,000,000 in the aggregate and not shown in the Initial Financial Statements, disclosed in the Disclosure Schedule or otherwise permitted under Section 7.01. Each Restricted Person has timely filed all tax returns and reports required to have been filed and has paid all taxes, assessments, and other governmental charges or levies imposed upon it or upon its income, profits or property, except to the extent that any of the foregoing is not yet due or is being in good faith contested as permitted by Section 6.07. No Unrestricted Subsidiary is party to or subject to any agreement, relating to any Indebtedness or extension of credit (or commitment for any extension of credit) that restrict any action of any Restricted Person or that obligates any Unrestricted Subsidiary to cause any Restricted Person to take any action, other than (i) limitations or restrictions on affiliate transactions between any Unrestricted Subsidiary or any Restricted Person, and (ii) provisions substantially in the form contained in the Heritage Note Purchase Agreements as in effect on the date of this Agreement.

5.08 Full Disclosure. No written certificate, statement or other information, taken as a whole, delivered herewith or heretofore by any Restricted Person to any Lender in connection with the negotiation of this Agreement or in connection with any transaction contemplated hereby contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements contained herein or therein, in light of the circumstances under which they were made, not misleading as of the date made or deemed made. All written information, taken as a whole, furnished after the date hereof by or on behalf of any Restricted Person to the Administrative Agent, LC Issuer or any Lender in connection with this Agreement and the other Loan Documents and the transactions contemplated hereby and thereby will be true, complete and accurate in every material respect in light of the circumstances in which made, or based on reasonable estimates on the date as of which such information is stated or certified. There is no fact known to any Restricted Person that has not been disclosed to each Lender in writing which has had, or could reasonably be expected to have, a Material Adverse Effect.

5.09 Litigation. Except as disclosed in the Initial Financial Statements or in the Disclosure Schedule and except for matters that could not, in the aggregate, reasonably be expected to have a Material Adverse Effect (i) there are no actions, suits or legal, equitable, arbitrative or administrative proceedings pending or, to the knowledge of the Borrower, threatened, by or before any Tribunal against any Restricted Person or affecting any property of any Restricted Person, and (ii) there are no outstanding judgments, injunctions, writs, rulings or orders by any such Tribunal against any Restricted Person or any Restricted Person's stockholders, partners, directors or officers or affecting any property of any Restricted Person. Since the date of this Agreement, there has been no change in the status of any matters disclosed in the Initial Financial Statements or in the Disclosure Schedule that, individually or in the aggregate, has had, or could reasonably be expected to have, a Material Adverse Effect.

5.10 ERISA. All currently existing ERISA Plans are listed in the Disclosure Schedule. Except as disclosed in the Initial Financial Statements or in the Disclosure Schedule, no Termination Event has occurred with respect to any ERISA Plan and all ERISA Affiliates are in compliance with ERISA in all material respects. No ERISA Affiliate is required to contribute to, or has any other absolute or contingent liability in respect of, any "multiemployer plan" as defined in Section 4001 of ERISA. Except as set forth in the Disclosure Schedule: (i) no "accumulated funding deficiency" (as defined in Section 412(a) of the Code exists with respect to any ERISA Plan, whether or not waived by the Secretary of the Treasury or his delegate, and (ii) the current value of each ERISA Plan's benefits does not exceed the current value of such ERISA Plan's assets available for the payment of such benefits by more than $5,000,000.

5.11 Compliance with Laws. Except as set forth in the Disclosure Schedule, each Restricted Person has all permits, licenses and authorizations required in connection with the conduct of its businesses, except to the extent failure to have any such permit, license or authorization has not had, and could not reasonably be expected to have, a Material Adverse Effect. Each Restricted Person is in compliance with the terms and conditions of all such permits, licenses and authorizations, and is also in compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any Law or in any regulation, code, plan, order, decree, judgment,

injunction, notice or demand letter issued, entered, promulgated or approved thereunder, except to the extent failure to comply has not had, and could not reasonably be expected to have, a Material Adverse Effect. Without limiting the foregoing, each Restricted Person (i) has filed and maintained all tariffs applicable to its business with each applicable agency, (ii) and all such tariffs are in compliance with all Laws administered or promulgated by each applicable agency and (iii) has imposed charges on its customers in compliance with such tariffs, all contracts applicable to its business and all applicable Laws except to the extent such failure to file or impose has not had, and could not reasonably be expected to have, a Material Adverse Effect. As used herein, "agency" includes the Federal Energy Regulatory Commission and each other United States federal, state, or local governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any Restricted Person or its properties.

5.12 Environmental Laws. Without limiting the provisions of Section 5.11 and except as disclosed in the Form 10-K for the year ended August 31, 2004 filed by the Borrower with the Commission or as has not had, and could not reasonably be expected to have, a Material Adverse Effect (or with respect to (c), (d) and (e) below, where the failure to take such actions has not had and could not reasonably be expected to have, a Material Adverse Effect):

(a) Neither any property of the Borrower nor any Restricted Subsidiary nor the operations conducted thereon violate any order or requirement of any court or Governmental Authority or any Environmental Laws;

(b) Without limitation of clause (a) above, no property of the Borrower or any Restricted Subsidiary nor the operations currently conducted thereon or, to the best knowledge of the Borrower, by any prior owner or operator of such property or operation, are in violation of or subject to any existing, pending or threatened action, suit, investigation, inquiry or proceeding by or before any court or Governmental Authority or to any remedial obligations under Environmental Laws;

(c) All notices, permits, licenses or similar authorizations, if any, required to be obtained or filed in connection with the operation or use of any and all property of the Borrower and each Restricted Subsidiary, including without limitation past or present treatment, storage, disposal or release of a hazardous substance, hazardous waste or solid waste into the environment, have been duly obtained or filed, and each of the Borrower and the Restricted Subsidiaries are in compliance with the terms and conditions of all such notices, permits, licenses and similar authorizations;

(d) All hazardous substances, hazardous waste, solid waste, and oil and gas exploration and production wastes, if any, generated at any and all property of the Borrower or any Restricted Subsidiary have in the past been transported, treated and disposed of in accordance with Environmental Laws and so as not to pose an endangerment to public health or welfare or the environment, and, to the best knowledge of the Borrower, all such transport carriers and treatment and disposal facilities have been and are operating in compliance with Environmental Laws and so as not to pose an imminent and substantial endangerment to public health or welfare or the environment, and are not the subject of any existing, pending or

threatened action, investigation or inquiry by any Governmental Authority in connection with any Environmental Laws;

(e) The Borrower and the Restricted Subsidiaries have taken all steps reasonably necessary to determine and have determined that no hazardous substances, hazardous waste, solid waste, or oil and gas exploration and production wastes, have been disposed of or otherwise released and there has been no threatened release of any hazardous substances on or to any property of the Borrower or any Restricted Subsidiary;

(f) To the extent applicable, all property of the Borrower and each Restricted Subsidiary currently satisfies all design, operation, and equipment requirements imposed by the Environmental Laws or scheduled as of the date hereof to be imposed by the Environmental Laws during the term of this Agreement, and the Borrower does not have any reason to believe that such property, to the extent subject to the Environmental Laws, will not be able to maintain compliance with the Environmental Laws requirements during the term of this Agreement; and

(g) None of the Borrower, any Guarantor or any Restricted Subsidiary has any known contingent liability in connection with any release or threatened release of any oil, hazardous substance, hazardous waste or solid waste into the environment.

5.13 Borrower's Subsidiaries. The Borrower does not have any Subsidiary or own any stock in any other corporation or association except those listed in the Disclosure Schedule or disclosed to the Administrative Agent in writing. Neither the Borrower nor any of its Subsidiaries is a member of any general or limited partnership, limited liability company, joint venture or association of any type whatsoever except those listed in the Disclosure Schedule or disclosed to the Administrative Agent in writing. The Borrower owns, directly or indirectly, the equity membership or partnership interest in each of its Subsidiaries which is indicated in the Disclosure Schedule or as disclosed to the Administrative Agent in writing.

5.14 Title to Properties; Licenses. Each Restricted Person has good and defensible title to or valid leasehold interests in all of its material properties and assets, free and clear of all Liens other than Permitted Liens and of all impediments to the use of such properties and assets in such Restricted Person's business. Each Restricted Person possesses all licenses, permits, franchises, patents, copyrights, trademarks and trade names, and other intellectual property (or otherwise possesses the right to use such intellectual property without violation of the rights of any other Person) which are necessary to carry out its business as presently conducted and as presently proposed to be conducted hereafter, and no Restricted Person is in violation in any material respect of the terms under which it possesses such intellectual property or the right to use such intellectual property unless, in each case, such failure to possess or violation has not had, and could not reasonably be expected to have, a Material Adverse Effect.

5.15 Government Regulation. Neither the Borrower nor any other Restricted Person owing Obligations is subject to regulation under the Public Utility Holding Company Act of 1935 (so long as it is in effect), the Federal Power Act, the Investment Company Act of 1940 (as any of the preceding acts have been amended) or any other Law which regulates the incurring by such Person of Indebtedness. Neither the Borrower nor any of its Restricted Subsidiaries, nor

any Person having "control" (as that term is defined in 12 U.S.C. § 375b(9) or in regulations promulgated pursuant thereto) of the Borrower or any of its Restricted Subsidiaries, is a "director" or an "executive officer" or "principal shareholder" (as those terms are defined in 12 U.S.C. § 375b(8) or (9) or in regulations promulgated pursuant thereto) of any Lender, of a bank holding company of which any Lender is a Subsidiary or of any Subsidiary of a bank holding company of which any Lender is a Subsidiary. Neither the Borrower nor any Subsidiary or Affiliate of the Borrower is (i) named on the list of Specially Designated Nationals or Blocked Persons maintained by the U.S. Department of the Treasury's Office of Foreign Assets Control available at http://www.treas.gov/offices/eotffc/ofac/sdn/index.html, or (ii) (A) an agency of the government of a country, (B) an organization controlled by a country, or (C) a person resident in a country that is subject to a sanctions program identified on the list maintained by the U.S. Department of the Treasury's Office of Foreign Assets Control and available at http://www.treas.gov/offices/eotffc/ofac/sanctions/index.html, or as otherwise published from time to time, as such program may be applicable to such agency, organization or person, and the proceeds from the loan will not be used to fund any operations in, finance any investments or activities in, or make any payments to, any such country, agency, organization or person.

5.16 Solvency. The Borrower and each of its Subsidiaries is solvent (as such term is used in applicable bankruptcy, liquidation, receivership, insolvency or similar Laws), and the sum of the Borrower's and each of its Subsidiaries' absolute and contingent liabilities, including the Obligations or guarantees thereof, shall not exceed the fair market value of such Person's assets, and the Borrower's and each of its Subsidiaries' capital should be adequate for the businesses in which such Person is engaged and intends to be engaged. Neither the Borrower nor any of its Subsidiaries has incurred (whether under the Loan Documents or otherwise), nor does any such Person intend to incur or believe that it will incur, debts which will be beyond its ability to pay as such debts mature.

ARTICLE VI.
AFFIRMATIVE COVENANTS

To conform with the terms and conditions under which each Lender is willing to have credit outstanding to the Borrower, and to induce each Lender to enter into this Agreement and extend credit hereunder, the Borrower covenants and agrees that until the full and final payment of the Obligations and the termination of this Agreement, unless Majority Lenders, or all Lenders as required under Section 10.01, have previously agreed otherwise:

6.01 Payment and Performance. Each Restricted Person will pay all amounts due under the Loan Documents, to which it is a party, in accordance with the terms thereof and will observe, perform and comply with every covenant, term and condition expressed in the Loan Documents to which it is a party.

6.02 Books, Financial Statements and Reports. The Borrower will maintain and will cause its Subsidiaries to maintain a standard system of accounting and proper books of record and account in accordance with GAAP, will maintain its Fiscal Year, and will furnish the following statements and reports to each Lender at the Borrower's expense:

(a) As soon as available, and in any event within ninety (90) days after the end of each Fiscal Year, (i) complete Consolidated financial statements of the Borrower together with all notes thereto, prepared in reasonable detail in accordance with GAAP, together with an unqualified opinion relating to such financial statements, based on an audit using generally accepted auditing standards, by Grant Thornton LLP, or other independent certified public accountants selected by the General Partner and acceptable to the Administrative Agent, stating that such Consolidated financial statements have been so prepared; provided, however, that at any time when the Borrower shall be subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, delivery within the time period specified above of copies of the Annual Report on Form 10-K of the Borrower for such Fiscal Year prepared in compliance with the requirements therefor and filed with the Commission shall be deemed to satisfy the requirements of this clause (a)(i), and (ii) a consolidating balance sheet and a consolidating statement of operations reflecting the consolidating information for the Borrower, the Unrestricted Subsidiaries (individually or with one or more on a combined basis) and the Restricted Subsidiaries (individually or with one or more on a combined basis) for such Fiscal Year, setting forth, in each case, in comparative form, figures for the preceding Fiscal Year, certified by an authorized financial officer of the Borrower as presenting fairly, in all material respects, the information contained therein, on a basis consistent with the Consolidated financial statements, which consolidating statement of operations may be in summary form in detail satisfactory to the Administrative Agent. Such financial statements shall contain a Consolidated balance sheet as of the end of such Fiscal Year and Consolidated statements of earnings for such Fiscal Year. Such financial statements shall set forth in comparative form the corresponding figures for the preceding Fiscal Year. Such financial statements shall set forth in comparative form the corresponding figures for the preceding fiscal year.

(b) As soon as available, and in any event within fifty (50) days after the end of each Fiscal Quarter (i) the Borrower's Consolidated balance sheet as of the end of such Fiscal Quarter and the Borrower's Consolidated statements of income, partners' capital and cash flows for such Fiscal Quarter and for the period from the beginning of the then current Fiscal Year to the end of such Fiscal Quarter, all in reasonable detail and prepared in accordance with GAAP, subject to changes resulting from normal year-end adjustments; provided, however, that at any time when the Borrower shall be subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, delivery within the time period specified above of copies of the Quarterly Report on Form 10-Q of the Borrower for such Fiscal Quarter prepared in accordance with the requirements therefor and filed with the Commission shall be deemed to satisfy the requirements of this clause (b)(i) for any of the first three Fiscal Quarters of a Fiscal Year and (ii) a consolidating balance sheet and a consolidating statement of operations reflecting the consolidating information for the Borrower, the Unrestricted Subsidiaries (individually or with one or more on a combined basis) and the Restricted Subsidiaries (individually or with one or more on a combined basis) for such Fiscal Quarter, setting forth, in each case, in comparative form, figures for same period of the preceding Fiscal Year, certified by an authorized financial officer of the Borrower as presenting fairly, in all material respects, the information contained therein, on a basis consistent with the Consolidated financial statements, which consolidating statement of operations may be in summary form in detail satisfactory to the Administrative Agent. Such financial statements shall set forth in comparative form the corresponding figures for the same period of the preceding Fiscal Year. In addition the Borrower will, together with

each such set of financial statements and each set of financial statements furnished under subsection (a) of this section, furnish a Compliance Certificate, signed on behalf of the Borrower by the chief financial officer, principal accounting officer or treasurer of the General Partner, setting forth that such financial statements are accurate and complete in all material respects (subject, in the case of Fiscal Quarter-end statements, to normal year-end adjustments), stating that he has reviewed the Loan Documents, containing calculations showing compliance (or non-compliance) at the end of such Fiscal Quarter with the requirements of Section 7.12, and stating that no Default exists at the end of such Fiscal Quarter or at the time of such certificate or specifying the nature and period of existence of any such Default.

(c) So long as any of the HOLP Companies are Unrestricted Subsidiaries, as soon as available, and in any event within one hundred (100) days after the end of each Fiscal Year, complete Consolidated financial statements of La Grange together with all notes thereto, prepared in reasonable detail in accordance with GAAP, together with an unqualified opinion, based on an audit using generally accepted auditing standards, by Grant Thornton LLP relating to such financial statements, or other independent certified public accountants selected by the General Partner and acceptable to the Administrative Agent, stating that such Consolidated financial statements have been so prepared. Such financial statements shall contain a Consolidated balance sheet as of the end of such Fiscal Year and Consolidated statements of earnings for such Fiscal Year. Such financial statements shall set forth in comparative form the corresponding figures for the preceding Fiscal Year.

(d) So long as any of the HOLP Companies are Unrestricted Subsidiaries, as soon as available, and in any event within fifty (50) days after the end of each fiscal quarter, the Consolidated balance sheet of La Grange as of the end of such Fiscal Quarter, the Consolidated balance sheet of La Grange as of the end of such Fiscal Quarter and the Consolidated statements of La Grange of income, partners' capital and cash flows for such Fiscal Quarter and for the period from the beginning of the then current Fiscal Year to the end of such Fiscal Quarter, all in reasonable detail and prepared in accordance with GAAP, subject to changes resulting from normal year-end adjustments. Such financial statements shall set forth in comparative form the corresponding figures for the same period of the preceding Fiscal Year. In addition La Grange will, together with each such set of financial statements and each set of financial statements furnished under subsection (a) of this section, furnish a certificate signed on behalf of La Grange by the chief financial officer, principal accounting officer or treasurer of General Partner, stating that such financial statements are accurate and complete in all material respects (subject, in the case of Fiscal Quarter-end statements, to normal year-end adjustments).

(e) Promptly upon their becoming available, one copy of (i) each financial statement, report, notice or proxy statement sent by the Borrower or any of its Subsidiaries to public securities holders generally, and (ii) each regular or periodic report, each registration statement (without exhibits except as expressly requested by such Lender), and each prospectus and all amendments thereto filed by the Borrower or any of its Subsidiaries with the Commission and of all press releases and other statements made available generally by the Borrower or any of its Subsidiaries to the public concerning material developments; provided that the Borrower shall be deemed to have furnished the information specified in this clause (e) above on the date that such

information is posted at the Borrower's website on the Internet or at such other website as notified to the Lenders.

6.03 Other Information and Inspections. Each Restricted Person will furnish to each Lender any information which the Administrative Agent or any Lender may from time to time reasonably request concerning any representation, warranty, covenant, provision or condition of the Loan Documents or any matter in connection with Restricted Persons' businesses and operations. Each Restricted Person will permit representatives appointed by the Administrative Agent (including independent accountants, auditors, agents, attorneys, appraisers and any other Persons) to visit and inspect during normal business hours (which right to visit and inspect shall be limited to once during any Fiscal Year unless a Default has occurred and is continuing) any of such Restricted Person's property, including its books of account, other books and records, and any facilities or other business assets, and to make extra copies therefrom and photocopies and photographs thereof, and to write down and record any information such representatives obtain, and each Restricted Person shall permit the Administrative Agent or its representatives to investigate and verify the accuracy of the information furnished to the Administrative Agent or any Lender in connection with the Loan Documents and to discuss all such matters with its officers, employees and, upon prior notice to the Borrower, its representatives.

6.04 Notice of Material Events. The Borrower will notify the Administrative Agent, LC Issuer and each Lender promptly, and not later than five (5) Business Days in the case of subsection (b) below and not later than thirty (30) days in the case of any other subsection below, after any executive officer of the Borrower has knowledge thereof, stating that such notice is being given pursuant to this Agreement, of:

(a) the occurrence of any event or circumstance that has had, or could reasonably be expected to have, a Material Adverse Effect,

(b) the occurrence of any Default,

(c) the acceleration of the maturity of any Indebtedness owed by the Borrower or any of its Subsidiaries or of any default by the Borrower or any of its Subsidiaries under any indenture, mortgage, agreement, contract or other instrument to which it is a party or by which it or any of its properties is bound, if such acceleration or default has had or could have a Material Adverse Effect,

(d) the occurrence of any Termination Event,

(e) Under any Environmental Law, any claim of $50,000,000 or more, any notice of potential liability which might reasonably be expected to exceed such amount, or any other material adverse claim asserted against any Restricted Person or with respect to any Restricted Person's properties taken as a whole,

(f) the filing of any suit or proceeding, or the assertion in writing of a claim against any Restricted Person or with respect to any Restricted Person's properties in which an adverse decision could reasonably be expected to have a Material Adverse Effect, and

(g) the occurrence of any event of default by the Borrower or any of its Subsidiaries in the payment or performance of (i) any material obligations such Person is required to pay or perform under the terms of any indenture, mortgage, deed of trust, security agreement, lease, and franchise, or other agreement, contract or other instrument or obligation to which it is a party or by which it or any of its properties is bound, to the extent such default or event of default could reasonably be expected to have a Material Adverse Effect on the consolidated financial condition, business, operations, assets or prospects of the Borrower, or (ii) any Indebtedness.

Upon the occurrence of any of the foregoing (other than with respect to the Borrower and its Subsidiaries (other than Restricted Persons)), Restricted Persons will take all necessary or appropriate steps to remedy promptly any such Material Adverse Effect, Default, acceleration, default, or Termination Event, to protect against any such adverse claim, to defend any such suit or proceeding, and to resolve all controversies on account of any of the foregoing.

6.05 Maintenance of Properties. Each Restricted Person will maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, provided that this Section shall not prevent the Borrower or any of the Restricted Subsidiaries from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Borrower has concluded that such discontinuance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

6.06 Maintenance of Existence and Qualifications. Each Restricted Person will maintain and preserve its existence and its rights and franchises in full force and effect and will qualify to do business in all states or jurisdictions where required by applicable Law, except where the failure so to qualify has not had, and could not reasonably be expected to have, a Material Adverse Effect.

6.07 Payment of Trade Liabilities, Taxes, etc. Each Restricted Person will (a) timely file all tax returns required to be filed in any jurisdiction; (b) timely pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on them or any of their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a lien on properties or assets of the Borrower or any Restricted Person; (c) timely pay all Liabilities owed by it on ordinary trade terms to vendors, suppliers and other Persons providing goods and services used by it in the ordinary course of its business, (e) timely pay and discharge when due all other Liabilities now or hereafter owed by it, other than royalty payments suspended in the ordinary course of business; and (f) maintain appropriate accruals and reserves for all of the foregoing in accordance with GAAP. Each Restricted Person may, however, delay paying or discharging any of the foregoing so long as (i) the amount, applicability or validity thereof is contested by the Borrower or such Restricted Person on a timely basis in good faith and in appropriate proceedings, and the Borrower or such Restricted Person has established adequate reserves therefor in accordance with GAAP on the books of the Borrower or such

Restricted Person or (ii) the nonpayment of all such taxes, assessments, charges, levies and Liabilities in the aggregate could not reasonably be expected to have a Material Adverse Effect.

6.08 Insurance. Each Restricted Person shall at all times maintain at its own expense with financially sound and reputable insurance companies, insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations.

6.09 Compliance with Agreements and Law. Each Restricted Person will perform all material obligations it is required to perform under the terms of each material indenture, mortgage, deed of trust, security agreement, lease, and franchise, and each material agreement, contract or other instrument or obligation to which it is a party or by which it or any of its properties is bound. Each Restricted Person will conduct its business and affairs in compliance with all Laws applicable thereto and will maintain in good standing all licenses that may be necessary or appropriate to carry on its business, except for failures so to comply that have not had, and could not reasonably be expected to have, a Material Adverse Effect.

6.10 Environmental Matters.

(a) Each Restricted Person will comply in all material respects with all Environmental Laws now or hereafter applicable to such Restricted Person as well as all contractual obligations and agreements with respect to environmental remediation or other environmental matters and shall obtain, at or prior to the time required by applicable Environmental Laws, all environmental, health and safety permits, licenses and other authorizations necessary for its operations and will maintain such authorizations in full force and effect.

(b) Each Restricted Person will promptly furnish to the Administrative Agent all written notices of violation, orders, claims, citations, complaints, penalty assessments, suits or other proceedings received by any Restricted Person or General Partner, or of which it has notice, pending or threatened against any Restricted Person, the potential liability of which exceeds or might reasonably be expected to exceed $50,000,000 or could reasonably be expected to have a Material Adverse Effect if resolved adversely against any Restricted Person, by any Governmental Authority with respect to any alleged violation of or non-compliance with any Environmental Laws or any permits, licenses or authorizations in connection with its ownership or use of its properties or the operation of its business.

(c) Each Restricted Person will promptly furnish to the Administrative Agent all requests for information, notices of claim, demand letters, and other notifications, received by any Restricted Person or General Partner in connection with its ownership or use of its properties or the conduct of its business, relating to potential responsibility with respect to any investigation or clean-up of Hazardous Material at any location, the potential liability of which exceeds or might reasonably be expected to exceed $50,000,000 or could reasonably be expected to have a Material Adverse Effect if resolved adversely against any Restricted Person.

6.11 Guaranties of Subsidiaries.

(a) Each Subsidiary, whether existing on the Closing Date or created, acquired or coming into existence after the Closing Date, that Guarantees any other Indebtedness of the Borrower shall execute and deliver to the Administrative Agent a Guaranty.

(b) Each Restricted Subsidiary (other than LA GP, LLC, Heritage ETC, L.P., and Heritage ETC GP, L.L.C., in each case so long as such entity has no operations, Indebtedness or Liens other than operations, Indebtedness or Liens as would be deemed de minimis and no material assets other than Equity Interests in Subsidiaries), whether existing on the Closing Date or created, acquired or coming into existence after the Closing Date, which holds Equity Interests in another Guarantor, or which has EBITDA in any Fiscal Quarter which constitutes ten percent (10%) or more of Borrower's Consolidated EBITDA for such Fiscal Quarter or which has assets at any time with a book value equal to or exceeding (10%) of the book value of Borrower's Consolidated assets at such time shall execute and deliver to the Administrative Agent a Guaranty.

(c) Without limiting Section 6.11(a) or (b), a sufficient number of Restricted Subsidiaries existing on the Closing Date shall execute and deliver to Administrative Agent a Guaranty such that:

(i) the aggregate amount of the Borrower's EBITDA for the Fiscal Year ended August 31, 2005 plus the EBITDA of each of the Guarantors during such Fiscal Year is equal to seventy five percent (75%) or more of the Consolidated EBITDA for such Fiscal Year (the "Minimum Guarantor EBITDA"), and

(ii) the book value of Borrower's assets plus the aggregate book value of the assets of Guarantors, in each case other than assets consisting of investments in Subsidiaries of such Person, exceeds seventy five percent (75%) of the book value of the Borrower's Consolidated assets (the "Minimum Guarantor Book Value").

(d) If (i) the aggregate amount of the Borrower's EBITDA for any Fiscal Quarter plus the EBITDA of each Guarantor during such Fiscal Quarter is less than the Minimum Guarantor EBITDA or (ii) the book value of the Borrower's assets at any time plus the aggregate book value of the assets of the Guarantors at such time does not exceed the Minimum Guarantor Book Value, then the Borrower, shall within ten (10) days following the date that financial statements in respect of such Fiscal Quarter are available to the Borrower cause one or more Restricted Subsidiaries, with aggregate assets and/or EBITDA sufficient to comply with the test contained in Section 6.11(c), to execute and deliver to the Administrative Agent a Guaranty.

(e) For purposes of Section 6.11(b), (c) and (d), references to "EBITDA" of a Person (other than Consolidated EBITDA) shall mean that portion of Consolidated EBITDA derived from the operating revenues of such Person on an unconsolidated basis and references to assets of a Person (other than Consolidated assets) shall mean the assets of such Person on an unconsolidated basis.

(f) Simultaneously with its delivery of such a Guaranty, each Subsidiary shall, at the request of the Administrative Agent, provide written evidence reasonably satisfactory to the

Administrative Agent and its counsel that such Subsidiary has taken all corporate, limited liability company or partnership action necessary to duly approve and authorize its execution, delivery and performance of such Guaranty and any other documents which it is required to execute.

(g) The Borrower may designate any Unrestricted Subsidiary to be a Restricted Subsidiary, provided that the Borrower may not make such a designation unless at the time of such action and after giving effect thereto, (i) none of such Unrestricted Subsidiaries have outstanding Indebtedness or Guarantees, other than Indebtedness permitted under Section 7.01 or Liens on any of their property, other than Permitted Liens (in each case taking into account the other Indebtedness and Liens of the Restricted Persons), (ii) no Default or Event of Default shall exist, (iii) all representations and warranties herein will be true and correct in all material respects if remade at the time of such designation, except to the extent such representations and warranties specifically refer to an earlier date, in which case they were true and correct in all material respects as of such earlier date, and (iv) the Borrower has provided to the Administrative Agent an officer's certificate in form satisfactory to the Administrative Agent to the effect that each of the foregoing conditions have been satisfied.

(h) The Borrower may designate any Person who becomes a Subsidiary of the Borrower after the date hereof to be an Unrestricted Subsidiary, provided that all Investments in such Subsidiary at the time of such designation shall be treated as Investments made on the date of such designation, and provided further that the Borrower may not make such a designation unless such designation is made not later than 30 days after the date such Person becomes a Subsidiary and, at the time of such action and after giving effect thereto, (i) such Subsidiary does not own, directly or indirectly, any Indebtedness or Equity Interests of the Borrower or any Restricted Subsidiary, (ii) no Default or Event of Default shall exist, (iii) all representations and warranties herein will be true and correct in all material respects if remade at the time of such designation, except to the extent such representations and warranties specifically refer to an earlier date, in which case they were true and correct in all material respects as of such earlier date, (iv) the Investment represented by such designation is permitted under clause (i) of the definition of Permitted Investments and (v) the Borrower has provided to the Administrative Agent an officer's certificate in form satisfactory to the Administrative Agent to the effect that each of the foregoing conditions have been satisfied.

6.12 Compliance with Agreements. Each Restricted Person shall observe, perform or comply in all material respects with any agreement with any Person or any term or condition of any instrument, if such agreement or instrument is materially significant to such Restricted Person or to Restricted Persons on a Consolidated basis, unless any such failure to so observe, perform or comply is remedied within the applicable period of grace (if any) provided in such agreement or instrument.

6.13 Maintenance of Separateness. So long as any of the HOLP Companies are Unrestricted Subsidiaries:

(a) The Borrower will, and will cause each other Restricted Person to: (i) maintain books and records separate from those of the Unrestricted Subsidiaries; (ii) maintain its assets in

such a manner that it is not more costly or difficult to segregate, identify or ascertain such assets from those of the Unrestricted Subsidiaries; and (iii) observe all organizational formalities.

(b) The Borrower and the other Restricted Persons, collectively, will (i) hold themselves out to creditors and the public as separate and distinct from any other Person, including the Unrestricted Subsidiaries; (ii) conduct their business in their respective names or in business names or trade names of the Borrower, and use stationary, invoices and checks separate from those of any other Person, including the Unrestricted Subsidiaries; and (iii) not assume, guarantee or pay the debts or obligations of or hold themselves out as being available to satisfy the obligations of any other Person, including the Unrestricted Subsidiaries, except as is expressly permitted by the terms of this Agreement or with respect to Performance Guaranties.

(c) To the extent that the Borrower or any other Restricted Person jointly contracts with any of the Unrestricted Subsidiaries to do business with vendors or service providers or to share overhead expenses, the costs incurred in doing so shall be allocated fairly among such entities and each such entity shall bear its fair share of such costs. To the extent that the Borrower or any other Restricted Person contracts or does business with vendors or service providers where the goods and services are partially for the benefit of the Unrestricted Subsidiaries, the costs incurred in doing so shall be fairly allocated to or among such entities for whose benefit the goods and services are provided, and each such entity shall bear its fair share of such costs.

ARTICLE VII.
NEGATIVE COVENANTS

To conform with the terms and conditions under which each Lender is willing to have credit outstanding to the Borrower, and to induce each Lender to enter into this Agreement and make the Loans, the Borrower covenants and agrees that until the full and final payment of the Obligations and the termination of this Agreement, unless Majority Lenders, or all Lenders as required under Section 10.01, have previously agreed otherwise:

7.01 Indebtedness. No Restricted Subsidiary will in any manner owe or be liable for Indebtedness except:

(a) the Obligations;

(b) Indebtedness of any Restricted Subsidiary owing to another Restricted Person (provided that such Indebtedness owed to a non-Guarantor Restricted Subsidiary shall be unsecured and subordinated in right of payment to the payment in full of the Obligations on terms reasonably satisfactory to the Administrative Agent);

(c) Guarantees by any Restricted Subsidiary of Indebtedness of the Borrower;

(d) Indebtedness in respect of bonds that are performance bonds, bid bonds, appeal bonds, surety bonds and similar obligations, in each case provided in the ordinary course of

business, including those incurred to secure health, safety and environmental obligations in the ordinary course of business;

(e) Indebtedness in respect to future payment for non-competition covenants and similar payments under agreements governing a Permitted Acquisition by a Restricted Subsidiary;

(f) unsecured Indebtedness of any Person that becomes a Restricted Subsidiary after the date hereof incurred prior to the time such Person becomes a Subsidiary; provided that (i) such Indebtedness is not created in contemplation of such Person becoming a Subsidiary and (ii) such Indebtedness is not assumed or Guaranteed by any other Restricted Subsidiary; and

(g) Permitted Priority Debt.

7.02 Limitation on Liens. No Restricted Person will create, assume or permit to exist any Lien upon or with respect to any of its properties or assets now owned or hereafter acquired, except the following Liens (to the extent permitted by this Section, herein called "Permitted Liens"):

(a) Liens existing on the date of this Agreement and listed in the Disclosure Schedule;

(b) Liens imposed by any Governmental Authority for taxes, assessments or charges not yet due or the validity of which is being contested in good faith and by appropriate proceedings, if necessary, for which adequate reserves are maintained on the books of any Restricted Person in accordance with GAAP;

(c) pledges or deposits of cash or securities under worker's compensation, unemployment insurance or other social security legislation;

(d) carriers', warehousemen's, mechanics', materialmen's, repairmen's, landlord's, or other like Liens (including, without limitation, Liens on property of any Restricted Person in the possession of storage facilities, pipelines or barges) arising in the ordinary course of business for amounts which are not more than 60 days past due or the validity of which is being contested in good faith and by appropriate proceedings, if necessary, and for which adequate reserves are maintained on the books of any Restricted Person in accordance with GAAP;

(e) deposits of cash or securities to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(f) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business and encumbrances consisting of zoning restrictions, easements, licenses, restrictions on the use of real property or minor imperfections in title thereto which, in the aggregate, are not material in amount, and which do not in any case materially detract from

the value of the property subject thereto or interfere with the ordinary conduct of the business of any Restricted Person;

(g) rights reserved to or vested in any Governmental Authority by the terms of any right, power, franchise, grant, license or permit, or by any provision of law, to revoke or terminate any such right, power, franchise, grant, license or permit or to condemn or acquire by eminent domain or similar process;

(h) rights reserved to or vested by Law in any Governmental Authority to in any manner, control or regulate in any manner any of the properties of any Restricted Person or the use thereof or the rights and interests of any Restricted Person therein, in any manner under any and all Laws;

(i) rights reserved to the grantors of any properties of any Restricted Person, and the restrictions, conditions, restrictive covenants and limitations, in respect thereto, pursuant to the terms, conditions and provisions of any rights-of-way agreements, contracts or other agreements therewith;

(j) inchoate Liens in respect of pending litigation or with respect to a judgment which has not resulted in an Event of Default under Section 8.01;

(k) statutory Liens in respect of payables;

(l) any Lien existing on any property prior to the acquisition thereof by the Borrower or any Subsidiary or existing on any property of any Person that becomes a Subsidiary after the date hereof prior to the time such Person becomes a Subsidiary; provided that (i) such Lien is not created in contemplation of or in connection with such acquisition or such Person becoming a Subsidiary, as the case may be, (ii) such Lien shall not apply to any other property of the Borrower or any Subsidiary, (iii) such Lien shall secure only those obligations which it secures on the date of such acquisition or the date such Person becomes a Subsidiary, as the case may be; and (iv) such Liens do not secure Indebtedness other than Permitted Priority Debt;

(m) Liens on cash margin collateral securing Hedging Contracts permitted under Section 7.10;

(n) Liens in respect of operating leases covering only the property subject thereto; and

(o) Liens in respect of Permitted Priority Debt.

7.03 Limitation on Mergers, Issuances of Subsidiary Securities. No Restricted Person will enter into any transaction of merger or consolidation or amalgamation, or liquidate, wind up or dissolve itself or suffer any liquidation or dissolution, except (i) Permitted Acquisitions and (ii) the merger, dissolution or liquidation into or consolidation of a Restricted Subsidiary with or into the Borrower (so long as the Borrower is the surviving entity) or another Restricted Subsidiary (so long as if one such Restricted Person is a Guarantor, the surviving entity shall be a Guarantor). Except in connection with a sale of all of the Equity Interest of a

Restricted Subsidiary permitted under Section 7.04(g) or (h): (i) the Borrower will not, and will not permit any Restricted Subsidiary to, sell, transfer or otherwise dispose the Equity Interest of any Restricted Subsidiary and no Restricted Subsidiary will issue any additional Equity Interests if such action will result in or allow any diminution of the Borrower's Equity Interest (direct or indirect) in such Restricted Subsidiary, and (ii) no Restricted Subsidiary of the Borrower that is a partnership will allow any diminution of the Borrower's interest (direct or indirect) in such Restricted Subsidiary.

7.04 Limitation on Sales of Property and Sale-Leaseback Transactions. No Restricted Person will sell, transfer, lease, exchange, alienate or dispose of any of its property or any material interest therein except:

(a) equipment and other personal property and fixtures that are either (i) obsolete for their intended purposes and disposed of in the ordinary course of business, or (ii) replaced by personal property or fixtures of comparable suitability owned by such Restricted Person free and clear of all Liens except Permitted Liens;

(b) inventory which is sold in the ordinary course of business on ordinary trade terms;

(c) property sold or transferred by any Restricted Subsidiary to any other Restricted Subsidiary (so long as if the transferor is a Guarantor, the transferee shall be a Guarantor);

(d) property subject to a Sale and Lease-Back Transaction with respect to which the Attributable Debt and Liens are permitted by the provisions of this Agreement;

(e) assignment of accounts receivable for collection purposes in the ordinary course of business;

(f) property sold to comply with any divestment requirement imposed in connection with the approval of an acquisition under Hart-Scott-Rodino Act of 1976;

(g) sales, transfers or other dispositions of other property or issuances or sales of Equity Interests of any Restricted Subsidiary (hereafter referred to as an "Asset Sale"), in any case for fair consideration that are in the best interests of the Borrower, provided that:

(i) the Restricted Persons shall not, in any consecutive twelve-month period, make Asset Sales in respect of assets accounting for more than (i) 10% of Consolidated Net Tangible Assets or (ii) 10% of Consolidated EBITDA;

(ii) the Restricted Persons shall not, during the term of this Agreement, make Asset Sales in respect of assets accounting for more than 30% of the Consolidated Net Tangible Assets on a cumulative basis; and

(iii) immediately after giving effect to such proposed disposition no Default or Event of Default shall exist and be continuing; and

(h) sales, transfers or other dispositions of other property or issuances or sales of Equity Interests of any Restricted Subsidiary, in any case for fair consideration that are in the best interests of the Borrower to any Person; provided that (i) such sale, transfer or disposition is in exchange for other assets used by the Borrower or its Restricted Subsidiaries in the furtherance of their business, (ii) the amount of the proceeds of such sale, transfer or disposition (other than such assets received in exchange), net of customary costs of sale (the "Net Proceeds"), are applied within 12 months to the purchase of other assets used by the Borrower or its Restricted Subsidiaries in the furtherance of their business and (iii) the Aggregate Commitments are permanently reduced within 12 months by the amount of any such Net Proceeds not so applied to the purchase of such assets used by the Borrower or its Restricted Subsidiaries in the furtherance of their business.

7.05 Limitation on Restricted Payment. No Restricted Person will declare or make, directly or indirectly any Restricted Payments. Notwithstanding the foregoing, (i) no Restricted Person shall be restricted, directly or indirectly, from declaring and making Restricted Payments to another Restricted Person and (ii) so long as the Borrower shall be in compliance with Section 7.12 under clause (iii) thereof prior to and after giving effect to any distribution, and so long as no Event of Default has occurred and is continuing or would result therefrom, the Borrower may declare or order and make, pay or set apart, during each Fiscal Quarter, Restricted Payments consisting of cash distribution to its general partner and limited partner unit holders pursuant to the requirements of the Partnership Agreement. In determining the amount of Restricted Payments to be made or declared pursuant to clause (ii) of this Section 7.05, at any time that Ratings of BBB-/Baa3/BBB- or better are not maintained by at least two Rating Agencies, the Borrower shall for purposes of clause (ii) of this Section 7.05 only, calculate the aggregate cash available for such Restricted Payments as if the Aggregate Commitments hereunder available for working capital purposes were equal to the lesser of (x) $225,000,000 or (y) the Aggregate Commitments minus the Facility Usage.

7.06 Limitation on Investments, Loans and Advances. No Restricted Person will make or commit to make any capital contributions to, or make or hold any other Investments in, any Person, other than Permitted Investments, nor acquire properties or assets except (i) in the ordinary course of business, (ii) any acquisition of capital assets that will become a part of the operations of such Restricted Person (and provided that the same shall not result in a violation of Section 7.07) and (iii) any Permitted Acquisition. Except for Permitted Investments and Hedging Contracts permitted under Section 7.10, no Restricted Person will extend credit, make advances or make loans other than normal and prudent extensions of credit to customers in the ordinary course of business or to another Restricted Person in the ordinary course of business, which extensions shall not be for longer periods than those extended by similar businesses operated in a normal and prudent manner. No Equity Interest of a Restricted Subsidiary shall be held by an Unrestricted Subsidiary, and no Indebtedness, obligations or liabilities of an Restricted Subsidiary shall be held by an Unrestricted Subsidiary if, as a result thereof, the Indebtedness, obligations or liabilities of all Restricted Subsidiaries held by one or more Unrestricted Subsidiary shall in the aggregate exceed $20,000,000 at any one time.

7.07 Change in Nature of Businesses. The Borrower will not, and will not permit any of its Subsidiaries to, engage in any business if, as a result, the nature of the business of the Borrower would not be the Permitted Line of Business.

7.08 Transactions with Affiliates. No Restricted Person will directly or indirectly engage in any material transaction or material group of related transactions (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any of its Affiliates except: (a) transactions among the Restricted Persons, subject to the other provisions of this Agreement and (b) transactions entered into in the ordinary course of business of such Restricted Person on terms which are no less favorable to such Restricted Person than those which would have been obtainable at the time in arm's-length transactions with Persons that are not Affiliates.

7.09 Restrictive and Negative Pledge Agreements. Except as expressly provided for in the Loan Documents and as described in the Disclosure Schedule, no Restricted Person will, directly or indirectly, enter into, create, or otherwise allow to exist any contract or other consensual restriction on the ability of any Restricted Subsidiary to: (a) pay dividends or make other distributions, (b) redeem Equity Interests held in it by the Borrower or another Restricted Subsidiary, (c) repay loans and other indebtedness owing by it to the Borrower or another Restricted Subsidiary, or (d) transfer any of its assets to the Borrower or another Restricted Subsidiary. No Restricted Person will, directly or indirectly, enter into, create, or otherwise allow to exist any contract or other consensual restriction on the ability of any Restricted Person to create Liens on any of its assets or property to secure the Obligations other than as permitted in connection with Indebtedness under Section 7.01(c).

7.10 Hedging Arrangements and Open Positions.

(a) Hedging Arrangements. No Restricted Person will be a party to or in any manner be liable on any Hedging Contract except (i) in compliance with the Risk Management Policy and (ii) transactions entered into with a good faith belief that no violation of the Risk Management Policy exists and where such violation is remedied as promptly as possible and in any event by the close of business on the Business Day following the date that such violation was discovered.

(b) Open Positions. No Restricted Person will permit to exist any risk (including price, basis and time risk) in respect to commodities traded, purchased, sold or held by it except (i) in compliance with Risk Limits in effect on the date hereof as defined in and set forth on Schedule 7.10, as such Risk Limits may be modified by the Borrower from time to time after the date hereof pursuant to its Risk Management Policy, and (ii) transactions entered into with a good faith belief that no violation of such Risk Limits exists and where such violation is remedied as promptly as possible and in any event by the close of business on the Business Day following the date that such violation was discovered.

7.11 Commingling of Deposit Accounts and Accounts. So long as any of the HOLP Companies are Unrestricted Subsidiaries, the Borrower will not, nor will it permit any of its Restricted Subsidiaries to, commingle their respective Deposit Accounts or Accounts (as such

terms are defined in Article 9 of the UCC) with the Deposit Accounts or Accounts of any of its Unrestricted Subsidiaries.

7.12 Leverage Ratio. (i) On each Quarterly Testing Date using the Consolidated Funded Indebtedness outstanding on such day and using Consolidated EBITDA for the four Fiscal Quarter period ending on such day, (ii) on the date of each Specified Acquisition using the Consolidated Funded Indebtedness that will be outstanding after giving effect to such Specified Acquisition and using Consolidated EBITDA for the four Fiscal Quarter period most recently ending prior to such Specified Acquisition for which financial statements contemplated by Section 6.02(b) are available to the Borrower (and giving pro forma effect to such specified Acquisition as provided in the definition of Consolidated EBITDA), (iii) on each date on which the Borrower makes a distribution permitted under Section 7.05, after giving effect thereto and using Consolidated EBITDA for the four Fiscal Quarter period most recently ending prior to such date for which financial statements contemplated by Section 6.02(b) are available to the Borrower, and (iv) on each date of the Clean Down Period and using Consolidated EBITDA for the four Fiscal Quarter period most recently ending prior to such date for which financial statements contemplated by Section 6.02(b) are available to the Borrower, the Leverage Ratio will not exceed (A) 4.75 to 1.00 at any time other than during a Specified Acquisition Period and (B) 5.25 to 1.00 during a Specified Acquisition Period.

ARTICLE VIII.
EVENTS OF DEFAULT AND REMEDIES

8.01 Events of Default. Each of the following events constitutes an Event of Default under this Agreement (each an "Event of Default"):

(a) Any Restricted Person fails to pay the principal component of any Loan or any reimbursement obligation with respect to any Letter of Credit when due and payable, whether at a date for the payment of a fixed installment or as a contingent or other payment becomes due and payable or as a result of acceleration or otherwise;

(b) Any Restricted Person fails to pay any Obligation (other than the Obligations in subsection (a) above), whether at a date for the payment of a fixed installment or as a contingent or other payment becomes due and payable or as a result of acceleration or otherwise, within five Business Days after the same becomes due;

(c) Any event defined as a "default" or "event of default" in any Loan Document (other than this Agreement) occurs, and the same is not remedied within the applicable period of grace (if any) provided in such Loan Document;

(d) Any Restricted Person fails to duly observe, perform or comply with any covenant, agreement or provision of Section 6.04 or Article VII;

(e) Any Restricted Person fails (other than as referred to in subsections (a), (b), (c) or (d) above) to duly observe, perform or comply with any covenant, agreement, condition or provision of any Loan Document to which it is a party, and such failure remains unremedied for

a period of thirty (30) days after notice of such failure is given by the Administrative Agent to the Borrower;

(f) Any representation or warranty previously, presently or hereafter made in writing by or on behalf of any Restricted Person in connection with any Loan Document shall prove to have been false or incorrect in any material respect on any date on or as of which made;

(g) Any Loan Document at any time ceases to be valid, binding and enforceable as warranted in Section 5.05 for any reason, or shall be declared null and void or any Restricted Person shall repudiate in writing its obligations thereunder, or any Restricted Person shall contest the validity or enforceability of any Loan Document in writing or deny in writing that it has any further liability, under any Loan Document to which it is a party, in each case other than its release by Lenders or the Administrative Agent (as permitted under Section 9.10);

(h) (i) Any Restricted Person (A) fails to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) in respect of any Indebtedness or Guarantee (other than Indebtedness hereunder and Indebtedness under Hedging Contracts) having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than $50,000,000, or (B) fails to observe or perform any other agreement or condition relating to any such Indebtedness or Guarantee or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event occurs, in each case, following any applicable cure period, the effect of which default or other event is to cause, or to permit the holder or holders of such Indebtedness or the beneficiary or beneficiaries of such Guarantee (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to be demanded or to become due or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise), or an offer to repurchase, prepay, defease or redeem such Indebtedness to be made, prior to its stated maturity, or such Guarantee to become payable or cash collateral in respect thereof to be demanded; or (ii) there occurs under any Hedging Contract an Early Termination Date (as defined in such Hedging Contract) resulting from (A) any event of default under such Hedging Contract as to which the Borrower or any Subsidiary is the Defaulting Party (as defined in such Hedging Contract) or (B) any Termination Event (as defined in such Hedging Contract) under such Hedging Contract as to which the Borrower or any Subsidiary is an Affected Party (as so defined) and, in either event, the Hedging Termination Value owed by the Borrower or such Subsidiary to a single counterparty as a result thereof is greater than $50,000,000 for such Hedging Contract;

(i) Either (i) any "accumulated funding deficiency" (as defined in Section 412(a) of the Code) in excess of $50,000,000 with respect to any ERISA Plan, whether or not waived by the Secretary of the Treasury or his delegate, or (ii) any Termination Event occurs with respect to any ERISA Plan and the then current value of such ERISA Plan's benefit liabilities exceeds the then current value of such ERISA Plan's assets available for the payment of such benefit liabilities by more than $5,000,000 (or in the case of a Termination Event involving the withdrawal of a substantial employer, the withdrawing employer's proportionate share of such excess exceeds such amount);

(j) The Borrower, any Guarantor or any of the HOLP Companies:

(i) has entered against it a judgment, decree or order for relief by a Tribunal of competent jurisdiction in an involuntary proceeding commenced under any applicable bankruptcy, insolvency or other similar Law of any jurisdiction now or hereafter in effect, including the federal Bankruptcy Code, as from time to time amended, or has any such proceeding commenced against it, in each case, which remains undismissed for a period of sixty days; or

(ii) commences a voluntary case under any applicable bankruptcy, insolvency or similar Law now or hereafter in effect, including the federal Bankruptcy Code, as from time to time amended; or applies for or consents to the entry of an order for relief in an involuntary case under any such Law; or makes a general assignment for the benefit of creditors; or is generally unable to pay (or admits in writing its inability to so pay) its debts as such debts become due; or takes corporate or other action to authorize any of the foregoing; or

(iii) has entered against it the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of all or a substantial part of its assets in a proceeding brought against or initiated by it, and such appointment or taking possession is neither made ineffective nor discharged within sixty days after the making thereof, or such appointment or taking possession is at any time consented to, requested by, or acquiesced to by it; or

(iv) has entered against it a final judgment for the payment of money in excess of $50,000,000 (in each case not covered by insurance or third party indemnification obligations satisfactory to the Administrative Agent), unless the same is discharged within sixty days after the date of entry thereof or an appeal or appropriate proceeding for review thereof is taken within such period and a stay of execution pending such appeal is obtained; or

(v) suffers a writ or warrant of attachment or any similar process to be issued by any Tribunal against all or any substantial part of its assets, and such writ or warrant of attachment or any similar process is not stayed or released within sixty days after the entry or levy thereof or after any stay is vacated or set aside; or

(k) Any Change of Control occurs; or

(l) Any event of default under any agreement governing secured indebtedness of any of the HOLP Companies relating to (i) bankruptcy, reorganization, compromise, arrangement, insolvency, readjustment of debt, dissolution or liquidation or similar law with respect to any of the HOLP Companies, beyond any period of grace provided with respect thereto in such agreement, or (ii) non-payment of such secured indebtedness or any other indebtedness of any of the HOLP Companies, subject to the minimum dollar amount threshold of such indebtedness set forth in such agreement, provided that such non-payment continues for a period of three (3) Business Days beyond any period of grace provided with respect thereto in such agreement,

unless, prior to the end of the three (3) Business Day period the lenders party to such agreement have accelerated the maturity of such indebtedness thereunder or blocked the payment or otherwise limited the payment by any of the HOLP Companies of any scheduled "restricted payment" distribution in respect of any Equity Interest in HOLP, in which case such three (3) Business Day period shall no longer apply.

8.02 Remedies Upon Event of Default. If any Event of Default occurs and is continuing, the Administrative Agent shall, at the request of, or may, with the consent of, the Majority Lenders, take any or all of the following actions:

(a) declare the commitment of each Lender to make Loans and any obligation of the LC Issuer to make LC Credit Extensions to be terminated, whereupon such commitments and obligation shall be terminated;

(b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower;

(c) require that the Borrower Cash Collateralize the LC Obligations (in an amount equal to the then outstanding amount thereof); and

(d) exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Loan Documents;

provided, however, that upon the occurrence of an Event of Default described in subsections (j)(i), (j)(ii) or (j)(iii) of Section 8.01, the obligation of each Lender to make Loans and any obligation of the LC Issuer to make LC Credit Extensions shall automatically terminate, the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable, and the obligation of the Borrower to Cash Collateralize the LC Obligations as aforesaid shall automatically become effective, in each case without further act of the Administrative Agent or any Lender.

8.03 Application of Funds. After the exercise of remedies provided for in Section 8.02 (or after the Loans have automatically become immediately due and payable and the LC Obligations have automatically been required to be Cash Collateralized as set forth in the proviso to Section 8.02), any amounts received on account of the Obligations shall be applied by the Administrative Agent in the following order:

First, to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (including fees, charges and disbursements of counsel to the Administrative Agent and amounts payable under Article III) payable to the Administrative Agent in its capacity as such;

Second, to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal and interest) payable to the Lenders and the LC Issuer (including fees, charges and disbursements of counsel to the respective Lenders and the LC

Issuer (including fees and time charges for attorneys who may be employees of any Lender or the LC Issuer) and amounts payable under Article III), ratably among them in proportion to the amounts described in this clause Second payable to them;

Third, to payment of that portion of the Obligations constituting accrued and unpaid interest on the Loans, Matured LC Obligations and other Obligations, ratably among the Lenders and the LC Issuer in proportion to the respective amounts described in this clause Third payable to them;

Fourth, to payment of that portion of the Obligations constituting unpaid principal of the Loans and Matured LC Obligations, ratably among the Lenders and the LC Issuer in proportion to the respective amounts described in this clause Fourth held by them;

Fifth, to the Administrative Agent for the account of the LC Issuer, to Cash Collateralize that portion of LC Obligations comprised of the aggregate undrawn amount of Letters of Credit; and

Last, the balance, if any, after all of the Obligations have been indefeasibly paid in full, to the Borrower or as otherwise required by Law.

Amounts used to Cash Collateralize the aggregate undrawn amount of Letters of Credit pursuant to clause Fifth above shall be applied to satisfy drawings under such Letters of Credit as they occur. If any amount remains on deposit as LC Collateral after all Letters of Credit have either been fully drawn or expired, such remaining amount shall be applied to the other Obligations, if any, in the order set forth above.

ARTICLE IX.
ADMINISTRATIVE AGENT

9.01 Appointment and Authority. Each of the Lenders and the LC Issuer hereby irrevocably appoints Wachovia Bank, National Association to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article are solely for the benefit of the Administrative Agent, the Lenders and the LC Issuer, and the Borrower shall not have rights as a third party beneficiary of any of such provisions.

9.02 Rights as a Lender. The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with

the Borrower or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

9.03 Exculpatory Provisions. The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, the Administrative Agent:

(a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Majority Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents), provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable law; and

(c) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Majority Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 10.01 and 8.02) or (ii) in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until notice describing such Default is given to the Administrative Agent by the Borrower, a Lender or the LC Issuer.

The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

9.04 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message,

Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan, or the issuance of a Letter of Credit, that by its terms must be fulfilled to the satisfaction of a Lender or the LC Issuer, the Administrative Agent may presume that such condition is satisfactory to such Lender or the LC Issuer unless the Administrative Agent shall have received notice to the contrary from such Lender or the LC Issuer prior to the making of such Loan or the issuance of such Letter of Credit. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

9.05 Delegation of Duties. The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

9.06 Resignation of Administrative Agent. The Administrative Agent may at any time give notice of its resignation to the Lenders, the LC Issuer and the Borrower. Upon receipt of any such notice of resignation, the Majority Lenders shall have the right, in consultation with the Borrower, to appoint a successor, which shall be a bank with an office in the United States, or an Affiliate of any such bank with an office in the United States. If no such successor shall have been so appointed by the Majority Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may on behalf of the Lenders and the LC Issuer, appoint a successor Administrative Agent meeting the qualifications set forth above; provided that if the Administrative Agent shall notify the Borrower and the Lenders that no qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (1) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any Cash Collateral held by the Administrative Agent on behalf of the Lenders or the LC Issuer under any of the Loan Documents, the retiring Administrative Agent shall continue to hold such Cash Collateral until such time as a successor Administrative Agent is appointed) and (2) all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender and the LC Issuer directly, until such time as the Majority Lenders appoint a successor Administrative Agent as provided for above in this Section. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Administrative Agent, and the retiring Administrative Agent shall be discharged from all of its duties and obligations hereunder or

under the other Loan Documents (if not already discharged therefrom as provided above in this Section). The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring Administrative Agent's resignation hereunder and under the other Loan Documents, the provisions of this Article and Section 10.04 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.

Any resignation by Wachovia Bank, National Association as Administrative Agent pursuant to this Section shall also constitute its resignation as LC Issuer. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, (a) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring LC Issuer, (b) the retiring LC Issuer shall be discharged from all of their respective duties and obligations hereunder or under the other Loan Documents, and (c) the successor LC Issuer shall issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or make other arrangement satisfactory to the retiring LC Issuer to effectively assume the obligations of the retiring LC Issuer with respect to such Letters of Credit.

9.07 Non-Reliance on Administrative Agent and Other Lenders. Each Lender and the LC Issuer acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender and the LC Issuer also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

9.08 No Other Duties, Etc. Anything herein to the contrary notwithstanding, none of the Book Manager, Arranger, Co-Syndication Agents, Co-Documentation Agents, Senior Managing Agents, Managing Agents, or other Agents named herein shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as the Administrative Agent, a Lender or the LC Issuer hereunder.

9.09 Administrative Agent May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to any Restricted Person, the Administrative Agent (irrespective of whether the principal of any Loan or LC Obligation shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, LC Obligations and all other Obligations that are owing and

unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders, the LC Issuer and the Administrative Agent allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender and the LC Issuer to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders and the LC Issuer, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 2.12 and 10.04.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender or the LC Issuer any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

9.10 Guaranty Matters. The Lenders and the LC Issuer irrevocably authorize the Administrative Agent to release any Guarantor from its obligations under the Guaranty if such Person ceases to be a Subsidiary as a result of a transaction permitted hereunder. Upon request by the Administrative Agent at any time, the Majority Lenders will confirm in writing the Administrative Agent's authority to release any Guarantor from its obligations under the Guaranty pursuant to this Section 9.10.

ARTICLE X.
MISCELLANEOUS

10.01 Amendments, Etc. No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by the Borrower or any other Restricted Person therefrom, shall be effective unless in writing signed by the Majority Lenders and the Borrower or the applicable Restricted Person, as the case may be, and acknowledged by the Administrative Agent, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such amendment, waiver or consent shall:

(a) waive any condition set forth in Section 4.01(a) without the written consent of each Lender;

(b) extend or increase the Commitment of any Lender (or reinstate any Commitment terminated pursuant to Section 8.02) without the written consent of such Lender;

(c) postpone any date fixed by this Agreement or any other Loan Document for any payment of principal, interest, fees or other amounts due to the Lenders (or any of them) hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby;

(d) reduce the principal of, or the rate of interest specified herein on, any Loan or LC Obligation, or (subject to clause (iii) of the second proviso to this Section 10.01) any fees or other amounts payable hereunder or under any other Loan Document, or change the manner of computation of any financial ratio (including any change in any applicable defined term) used in determining the Applicable Leverage Level that would result in a reduction of any interest rate on any Loan or any fee payable hereunder without the written consent of each Lender directly affected thereby; provided, however, that only the consent of the Majority Lenders shall be necessary to amend the definition of "Default Rate" or to waive any obligation of the Borrower to pay interest or letter of credit fees at the Default Rate;

(e) change Section 2.15 or Section 8.03 in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender;

(f) change any provision of this Section or the definition of "Majority Lenders" or any other provision hereof specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; or

(g) except as provided in Section 9.10, release all or substantially all of the Guarantors from the Guaranty without the written consent of each Lender;

and, provided further, that (i) no amendment, waiver or consent shall, unless in writing and signed by the LC Issuer in addition to the Lenders required above, affect the rights or duties of the LC Issuer under this Agreement or any Issuer Document relating to any Letter of Credit issued or to be issued by it; (ii) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document; (iii) no amendment, waiver or consent shall, unless in writing and signed by the Swingline Lender in addition to the Lenders required above, affect the rights or duties of the Swingline Lender under this Agreement or any other Loan Document; and (iv) the Fee Letter may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto.

10.02 Notices; Effectiveness; Electronic Communication.

(a) Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in subsection (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier as follows, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to the Borrower, the Administrative Agent, the Swingline Lender or the LC Issuer, to the address, telecopier number, electronic mail address or telephone number specified for such Person on Schedule 10.02; and

(ii) if to any other Lender, to the address, telecopier number, electronic mail address or telephone number specified in its Administrative Questionnaire.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices delivered through electronic communications to the extent provided in subsection (b) below, shall be effective as provided in such subsection (b).

(b) Electronic Communications. Notices and other communications to the Lenders and the LC Issuer hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to notices to any Lender or the LC Issuer pursuant to Article II if such Lender or the LC Issuer, as applicable, has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) Effectiveness of Facsimile Documents and Signatures. Loan Documents may be transmitted and/or signed by facsimile. The effectiveness of any such documents and signatures shall, subject to applicable Law, have the same force and effect as manually signed originals and shall be binding on all Restricted Persons, the Administrative Agent, the LC Issuer, and the Lenders. The Administrative Agent may also require that any such documents and signatures be confirmed by a manually signed original thereof; provided, however, that the failure to request or deliver the same shall not limit the effectiveness of any facsimile document or signature.

(d) Change of Address, Etc. Each of the Borrower, the Administrative Agent and the LC Issuer may change its address, telecopier or telephone number for notices and other

communications hereunder by notice to the other parties hereto. Each other Lender may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the Borrower, the Administrative Agent and the LC Issuer.

(e) Reliance by Administrative Agent, LC Issuer and Lenders. The Administrative Agent, the LC Issuer and the Lenders shall be entitled to rely and act upon any notices (including telephonic Loan Notices) purportedly given by or on behalf of the Borrower even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Borrower shall indemnify the Administrative Agent, the LC Issuer, each Lender and the Related Parties of each of them from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Borrower. All telephonic notices to and other telephonic communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

10.03 No Waiver; Cumulative Remedies. No failure by any Lender, the LC Issuer or the Administrative Agent to exercise, and no delay by any such Person in exercising, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

10.04 Expenses; Indemnity; Damage Waiver.

(a) Costs and Expenses. The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates (including the reasonable fees, charges and disbursements of counsel for the Administrative Agent), in connection with the syndication of the credit facilities provided for herein, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by the LC Issuer in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all out-of-pocket expenses incurred by the Administrative Agent, any Lender or the LC Issuer (including the fees, charges and disbursements of any counsel for the Administrative Agent, any Lender or the LC Issuer), and shall pay all fees and time charges for attorneys who may be employees of the Administrative Agent, any Lender or the LC Issuer, in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) Indemnification by the Borrower. The Borrower shall indemnify the Administrative Agent (and any sub-agent thereof), each Lender and the LC Issuer, and each

Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of any counsel for any Indemnitee), and shall indemnify and hold harmless each Indemnitee from all fees and time charges and disbursements for attorneys who may be employees of any Indemnitee, incurred by any Indemnitee or asserted against any Indemnitee by any third party or by the Borrower or any other Restricted Person arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by the LC Issuer to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower or any of its Subsidiaries, or any Liability under Environmental Law related in any way to the Borrower or any of its Subsidiaries, (iv) any civil penalty or fine assessed by the U. S. Department of the Treasury's Office of Foreign Assets Control against, and all reasonable costs and expenses (including counsel fees and disbursements) incurred in connection with defense thereof by the Administrative Agent or any Lender as a result of the funding of Loans, the issuance of Letters of Credit, the acceptance of payments under the Loan Documents, or (v) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower or any other Restricted Person, and regardless of whether any Indemnitee is a party thereto, in all cases, whether or not caused by or arising, in whole or in part, out of the comparative, contributory or sole negligence of the Indemnitee; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by the Borrower or any other Restricted Person against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, if the Borrower or such Restricted Person has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction.

(c) Reimbursement by Lenders. To the extent that the Borrower for any reason fails to indefeasibly pay any amount required under subsection (a) or (b) of this Section to be paid by it to the Administrative Agent (or any sub-agent thereof), the LC Issuer, the Swingline Lender, or any Related Party of any of the foregoing, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent), the LC Issuer, the Swingline Lender, or such Related Party, as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent), the Swingline Lender, or the LC Issuer in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent (or any

such sub-agent), the Swingline Lender, or LC Issuer in connection with such capacity. The obligations of the Lenders under this subsection (c) are subject to the provisions of Section 2.14(d).

(d) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof. No Indemnitee referred to in subsection (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

(e) Payments. All amounts due under this Section shall be payable not later than ten Business Days after demand therefor.

(f) Survival. The agreements in this Section shall survive the resignation of the Administrative Agent, the replacement of any Lender, the termination of the Aggregate Commitments and the repayment, satisfaction or discharge of all the other Obligations.

10.05 Payments Set Aside. To the extent that any payment by or on behalf of the Borrower is made to the Administrative Agent, the LC Issuer or any Lender, or the Administrative Agent, the LC Issuer or any Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent, the LC Issuer or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred, and (b) each Lender and the LC Issuer severally agrees to pay to the Administrative Agent upon demand its applicable share (without duplication) of any amount so recovered from or repaid by the Administrative Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Rate from time to time in effect. The obligations of the Lenders and the LC Issuer under clause (b) of the preceding sentence shall survive the payment in full of the Obligations and the termination of this Agreement.

10.06 Successors and Assigns.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent

and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of subsection (b) of this Section, (ii) by way of participation in accordance with the provisions of subsection (d) of this Section, or (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (f) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the LC Issuer and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans (including for purposes of this subsection (b), participations in LC Obligations) at the time owing to it); provided that, except in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund with respect to a Lender, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than $5,000,000 unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed);

(i) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans or the Commitment assigned;

(ii) any assignment of a Commitment must be approved by the Administrative Agent and the LC Issuer unless the Person that is the proposed assignee is itself a Lender (whether or not the proposed assignee would otherwise qualify as an Eligible Assignee); and

(iii) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of $3,500, and the Eligible Assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to subsection (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and

obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 3.01, 3.04, 3.05, and 10.04 with respect to facts and circumstances occurring prior to the effective date of such assignment. Upon request, the Borrower (at its expense) shall execute and deliver a Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) of this Section.

(c) Register. The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at the Administrative Agent's Office a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Loans and LC Obligations owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by each of the Borrower and the LC Issuer at any reasonable time and from time to time upon reasonable prior notice. In addition, at any time that a request for a consent for a material or substantive change to the Loan Documents is pending, any Lender wishing to consult with other Lenders in connection therewith may request and receive from the Administrative Agent a copy of the Register.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural person or the Borrower or any of the Borrower's Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans (including such Lender's participations in LC Obligations) owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent, the Lenders and the LC Issuer shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in the first proviso to Section 10.01 that affects such Participant. Subject to subsection (e) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 3.01, 3.04 and 3.05 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section. To the extent permitted by law, each Participant also

shall be entitled to the benefits of Section 10.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.15 as though it were a Lender.

(e) Limitations upon Participant Rights. A Participant shall not be entitled to receive any greater payment under Section 3.01 or 3.04 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 3.01 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 3.01(e) as though it were a Lender.

(f) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(g) Electronic Execution of Assignments. The words "execution," "signed," "signature," and words of like import in any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

(h) Resignation as LC Issuer after Assignment. Notwithstanding anything to the contrary contained herein, if at any time Wachovia Bank, National Association assigns all of its Commitment and Loans pursuant to subsection (b) above, Wachovia Bank, National Association may, upon 30 days' notice to the Borrower and the Lenders, resign as LC Issuer. In the event of any such resignation as LC Issuer, the Borrower shall be entitled to appoint from among the Lenders a successor LC Issuer hereunder; provided, however, that no failure by the Borrower to appoint any such successor shall affect the resignation of Wachovia Bank, National Association as LC Issuer. If Wachovia Bank, National Association resigns as LC Issuer, it shall retain all the rights and obligations of the LC Issuer hereunder with respect to all Letters of Credit outstanding as of the effective date of its resignation as LC Issuer and all LC Obligations with respect thereto (including the right to require the Lenders to make Base Rate Loans or fund risk participations in Matured LC Obligations pursuant to Section 2.09).

10.07 Treatment of Certain Information; Confidentiality. Each of the Administrative Agent, the Lenders and the LC Issuer agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, advisors and representatives (it being understood that the Persons to whom such disclosure is made will be

informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it or its Affiliates or to any such regulatory authority in accordance with such Lender's regulatory compliance policy, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower and its obligations, (g) with the consent of the Borrower or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to the Administrative Agent, any Lender, the LC Issuer or any of their respective Affiliates on a nonconfidential basis from a source other than the Borrower.

For purposes of this Section, "Information" means all information received from the Borrower or any Subsidiary relating to the Borrower or any Subsidiary or any of their respective businesses, other than any such information that is available to the Administrative Agent, any Lender or the LC Issuer on a nonconfidential basis prior to disclosure by the Borrower or any Subsidiary, provided that, in the case of information received from the Borrower or any Subsidiary after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

10.08 Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender, the LC Issuer and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender, the LC Issuer or any such Affiliate to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement or any other Loan Document to such Lender or the LC Issuer, irrespective of whether or not such Lender or the LC Issuer shall have made any demand under this Agreement or any other Loan Document and although such obligations of the Borrower may be contingent or unmatured or are owed to a branch or office of such Lender or the LC Issuer different from the branch or office holding such deposit or obligated on such indebtedness. The rights of each Lender, the LC Issuer and their respective Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender, the LC Issuer or their respective Affiliates may have. Each Lender and the LC Issuer agrees to notify the Borrower and the Administrative Agent promptly after any such setoff and application, provided that the failure to give such notice shall not affect the validity of such setoff and application.

10.09 Interest Rate Limitation. Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Law (the "Maximum Rate"). If the Administrative Agent or any Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loans or, if it exceeds such unpaid principal, refunded to the Borrower. In determining whether the interest contracted for, charged, or received by the Administrative Agent or a Lender exceeds the Maximum Rate, such Person may, to the extent permitted by applicable Law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder.

10.10 Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Loan Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

10.11 Survival of Representations and Warranties. All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default at the time of any Credit Extension, and shall continue in full force and effect as long as any Loan or any other Obligation hereunder shall remain unpaid or unsatisfied or any Letter of Credit shall remain outstanding.

10.12 Severability. If any provision of this Agreement or the other Loan Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Loan Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.13 Replacement of Lenders. If any Lender requests compensation under Section 3.04, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, if any Lender is a Defaulting Lender, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 10.06), all of its interests, rights and obligations under this Agreement and the related Loan Documents to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided that:

(a) the Borrower shall have paid to the Administrative Agent the assignment fee specified in Section 10.06(b);

(b) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and Letter of Credit participations, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 3.05) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts);

(c) in the case of any such assignment resulting from a claim for compensation under Section 3.04 or payments required to be made pursuant to Section 3.01, such assignment will result in a reduction in such compensation or payments thereafter; and

(d) such assignment does not conflict with applicable Laws.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

10.14 Governing Law; Jurisdiction; Etc.

(a) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

(b) SUBMISSION TO JURISDICTION. THE BORROWER IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO

AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT, ANY LENDER OR THE LC ISSUER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST THE BORROWER OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) WAIVER OF VENUE. THE BORROWER IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN PARAGRAPH (B) OF THIS SECTION. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) SERVICE OF PROCESS. EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 10.02. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

10.15 Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

10.16 USA PATRIOT Act Notice. Each Lender that is subject to the Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or the Administrative

Agent, as applicable, to identify the Borrower in accordance with the Act. The Borrower will comply with reasonable requests of any Lender for such information.

10.17 Time of the Essence. Time is of the essence of the Loan Documents.

10.18 No Recourse. The parties hereto hereby acknowledge and agree that neither the General Partner nor any director, officer, employee, limited partner or shareholder of the Borrower or the General Partner shall have any personal liability in respect of the obligations of the Borrower and the Guarantors under this Agreement and the other Loan Documents by reason of his, her or its status.

10.19 Existing Credit Agreement. In connection with the amendment and restatement of the Existing Credit Agreement pursuant hereto, the Borrower, the Administrative Agent and the Lenders shall, as of the Closing Date make adjustments to the outstanding principal amount of "Loans" under the Existing Credit Agreement (as such term is defined therein) (but not any interest accrued thereon prior to the Closing Date or any accrued commitment fees under the Existing Credit Agreement prior to the Closing Date), including the borrowing of additional Loans hereunder and the repayment of "Loans" under the Existing Credit Agreement (as such term is defined therein) plus all applicable accrued interest, fees and expenses as shall be necessary to provide for Loans by each Lender in proportion to, and in any event not in excess of, the amount of its Commitment as of the Closing Date, but in no event shall such adjustment of any Eurodollar Loans entitle any Lender to any reimbursement under Section 3.05 hereof; provided that the foregoing is not intended to relieve the Borrower for paying any such costs to lenders under the Existing Credit Agreement to the extent such lenders are not Lenders under this Agreement, and each Lender shall be deemed to have made an assignment of its outstanding Loans and commitments under the Existing Credit Agreement, and assumed outstanding Loans and commitments under the Existing Credit Agreement, and assumed outstanding Loans and commitments of other Lenders under the Existing Credit Agreement as may be necessary to effect the foregoing.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

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

By: _____

H. Michael Krimbill
President

WACHOVIA BANK, NATIONAL ASSOCIATION, as Administrative Agent, LC Issuer, Swingline Lender, and a Lender

By: _____

Name:
Title:

Signature Page to Credit Agreement –
Energy Transfer Partners, L.P.

Exhibit 10.50

GUARANTY

THIS GUARANTY is made as of June 29, 2006, by each party named on the signature pages hereto (collectively herein called the "Guarantors") in favor of Wachovia Bank, National Association, as the Administrative Agent for the Lenders, as such term is defined in the Credit Agreement described below (in such capacity, the "Administrative Agent").

RECITALS:

1. Energy Transfer Partners, L.P., a Delaware limited partnership (the "Borrower"), has entered into that certain Amended and Restated Credit Agreement of even date herewith (herein, as from time to time amended, supplemented or restated, called the "Credit Agreement"), by and among the Borrower, Wachovia Bank, National Association, as the Administrative Agent, the LC Issuer and Swingline Lender, the Co-Syndication Agents, the Co-Documentation Agents and the Senior Managing Agents named therein and the Lenders from time to time party thereto, pursuant to which the Lender Parties (as defined below) have agreed to advance funds and extend credit to the Borrower up to an aggregate principal amount of $1,300,000,000, subject to increases as provided therein up to an aggregate principal amount of $1,500,000,000.

2. It is a condition to the Lender Parties' obligations to advance funds and extend credit pursuant to the Credit Agreement that the Guarantors shall execute and deliver to the Administrative Agent a satisfactory guaranty of the Borrower's obligations under the Notes and the Credit Agreement.

3. Each Guarantor is a direct or indirect subsidiary of the Borrower.

4. The Borrower, the Guarantors, and the other direct and indirect subsidiaries of the Borrower are mutually dependent on each other in the conduct of their respective businesses under a holding company structure, with the credit needed from time to time by each often being provided by another or by means of financing obtained by one such affiliate with the support of the others for their mutual benefit and the ability of each to obtain such financing being dependent on the successful operations of the others.

5. The board of directors, members, managers or general partner of each Guarantor, as applicable, has determined that such Guarantor's execution, delivery and performance of this Guaranty may reasonably be expected to benefit such Guarantor, directly or indirectly, and are in the best interests of such Guarantor.

NOW, THEREFORE, in consideration of the premises, of the benefits which will inure to each Guarantor from the Lender Parties' advances of funds and extension of credit to the Borrower under the Credit Agreement, and of Ten Dollars and other good and valuable consideration, the receipt and sufficiency of all of which are hereby acknowledged, and in order

to induce the Lender Parties to advance funds and extend credit under the Credit Agreement, each Guarantor hereby agrees with the Administrative Agent, for the benefit of each Lender Party as follows:

AGREEMENTS:

Section 1. Definitions. Reference is hereby made to the Credit Agreement for all purposes. All terms used in this Guaranty that are defined in the Credit Agreement and not otherwise defined herein shall have the same meanings when used herein. All references herein to any Obligation Document, Loan Document, or other document or instrument refer to the same as from time to time amended, supplemented or restated. As used herein the following terms shall have the following meanings:

"Additional Guarantor" has the meaning given to such term in Section 11.

"Administrative Agent" means the Person who, at the time in question, is the "Administrative Agent" under the Credit Agreement.

"Guaranty Supplement" has the meaning given to such term in Section 11.

"Lender Parties" means the Administrative Agent, the LC Issuer, the Swingline Lender and the Lenders.

"Lenders" has the meaning given to such term in the Credit Agreement.

"Obligations" means collectively all of the indebtedness, obligations, and undertakings which are guaranteed by each Guarantor and described in subsections (a) and (b) of Section 2.

"Obligation Documents" means this Guaranty, the Notes, the Credit Agreement, the other Loan Documents, all other documents and instruments under, by reason of which, or pursuant to which any or all of the Obligations are evidenced, governed, secured, or otherwise dealt with.

"Obligors" means the Borrower, the Guarantors and any other endorsers, guarantors or obligors, primary or secondary, of any or all of the Obligations.

Section 2. Guaranty.

(a) Each Guarantor hereby irrevocably, absolutely, and unconditionally guarantees to each Lender Party the prompt, complete, and full payment when due, and no matter how the same shall become due, of:

(i) all Obligations, as defined in the Credit Agreement, including all principal of, all interest on, and all other sums payable in connection therewith; and

(ii) all the LC Obligations, including all obligations of the Borrower to make reimbursements and other payments to the LC Issuer and to the Lenders in respect of Letters of Credit issued pursuant to the Credit Agreement;

(iii) all the Swingline Loans, including all obligations of the Borrower to make reimbursements and other payments to the Swingline Lender in respect of Swingline Loans issued pursuant to the Credit Agreement;

(iv) all other sums payable under the other Loan Documents, whether for principal, interest, fees or otherwise; and

(v) any and all other indebtedness, obligations or liabilities which may at any time be owed to any Lender Party, whether incurred heretofore or hereafter or concurrently herewith, under or pursuant to any of the Loan Documents, and including interest, reasonable attorneys' fees and collection costs as may be provided by law or in any instrument or agreement evidencing any such indebtedness or liability.

Without limiting the generality of the foregoing, each Guarantor's liability hereunder shall extend to and include all post-petition interest, expenses, and other duties and liabilities of the Borrower described above in this subsection (a), or below in the following subsection (b), which would be owed by the Borrower but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization, or similar proceeding involving the Borrower.

(b) Each Guarantor hereby irrevocably, absolutely, and unconditionally guarantees to each Lender Party the prompt, complete and full payment, when due, and no matter how the same shall become due, of all obligations and undertakings of the Borrower to such Lender Party under, by reason of, or pursuant to any of the Obligation Documents.

(c) If the Borrower shall for any reason fail to pay any Obligation, as and when such Obligation shall become due and payable, whether at its stated maturity, as a result of the exercise of any power to accelerate, or otherwise, each Guarantor will, upon demand by the Administrative Agent, pay such Obligation in full to the Administrative Agent for the benefit of the Lender Party to whom such Obligation is owed.

(d) If either the Borrower or any Guarantor fail to pay any Obligation as described in the immediately preceding subsections (a), (b), or (c) each Guarantor will incur the additional obligation to pay to the Administrative Agent, and each Guarantor will forthwith upon demand by the Administrative Agent pay to the Administrative Agent, the amount of any and all reasonable expenses, including fees and disbursements of the Administrative Agent's counsel and of any experts or agents retained by the Administrative Agent, which the Administrative Agent may incur as a result of such failure.

(e) As between the Guarantors and each Lender Party, this Guaranty shall be considered a primary and liquidated liability of each Guarantor.

(f) The liability of each Guarantor hereunder shall be limited to the maximum amount of liability that can be incurred without rendering this Guaranty, as it relates to such Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer, and not for any greater amount.

(g) The books and records of the Lender Parties showing the amount of any of the Obligations shall be admissible in evidence in any action or proceeding, and shall be binding upon the Guarantors and conclusive for the purpose of establishing the amount of the Obligations.

(h) Each Guarantor shall make all payments hereunder without setoff or counterclaim and free and clear of and without deduction for any taxes, levies, imposts, duties, charges, fees, deductions, withholdings, compulsory loans, restrictions or conditions of any nature now or hereafter imposed or levied by any jurisdiction or any political subdivision thereof or taxing or other authority therein unless such Guarantor is compelled by law to make such deduction or withholding. If any such obligation (other than one arising with respect to taxes based on or measured by the income or profits of any Lender Party) is imposed upon such Guarantor with respect to any amount payable by it hereunder, such Guarantor will pay to the Administrative Agent, on the date on which such amount is due and payable hereunder, such additional amount in Dollars as shall be necessary to enable each Lender Party to receive the same net amount that such Lender Party would have received on such due date had no such obligation been imposed upon such Guarantor. Each Guarantor will deliver promptly to the Administrative Agent certificates or other valid vouchers for all taxes or other charges deducted from or paid with respect to payments made by such Guarantor hereunder. The obligations of the Guarantors under this paragraph shall survive the payment in full of the Obligations and termination of this Guaranty.

Section 3. Unconditional Guaranty.

(a) No action which the Administrative Agent or any other Lender Party may take or omit to take in connection with any of the Obligation Documents or any of the Obligations (or any other indebtedness owing by the Borrower to the Administrative Agent or any other Lender Party), and no course of dealing of the Administrative Agent or any other Lender Party with any Obligor or any other Person, shall release or diminish any Guarantor's obligations, liabilities, agreements or duties hereunder, affect this Guaranty in any way, or afford any Guarantor any recourse against the Administrative Agent or any other Lender Party, regardless of whether any such action or inaction may increase any risks to or liabilities of the Administrative Agent or any other Lender Party or any Obligor. Without limiting the foregoing, each Guarantor hereby expressly agrees that any Lender Party may, from time to time, without notice to or the consent of any Guarantor, do any or all of the following:

(i) Amend, change or modify, in whole or in part, any one or more of the Obligation Documents and give or refuse to give any waivers or other indulgences with respect thereto.

(ii) Neglect, delay, fail, or refuse to take or prosecute any action for the collection or enforcement of any of the Obligations, to foreclose or take or prosecute any action in connection with any Obligation Document, to bring suit against any Obligor or any other Person, or to take any other action concerning the Obligations or the Obligation Documents.

(iii) Accelerate, change, rearrange, extend, or renew the time, rate, terms, or manner for payment or performance of any one or more of the Obligations (whether for principal, interest, fees, expenses, indemnifications, affirmative or negative covenants, or otherwise).

(iv) Compromise or settle any unpaid or unperformed Obligation or any other obligation or amount due or owing, or claimed to be due or owing, under any one or more of the Obligation Documents.

(v) Discharge, release, substitute or add Obligors.

(vi) Apply all monies received from Obligors or others to any one or more of the Obligations as the Administrative Agent or the other Lender Parties may determine to be in their best interest, without in any way being required to apply all or any part of such monies upon any particular Obligations.

(b) No action or inaction of any Obligor or any other Person, and no change of law or circumstances, shall release or diminish any Guarantor's obligations, liabilities, agreements, or duties hereunder, affect this Guaranty in any way, or afford any Guarantor any recourse against any Lender Party. Without limiting the foregoing, the obligations, liabilities, agreements, and duties of the Guarantors under this Guaranty shall not be released, diminished, impaired, reduced, or affected by the occurrence of any or all of the following from time to time, even if occurring without notice to or without the consent of any Guarantor:

(i) Any voluntary or involuntary liquidation, dissolution, sale of all or substantially all assets, marshalling of assets or liabilities, receivership, conservatorship, assignment for the benefit of creditors, insolvency, bankruptcy, reorganization, arrangement, or composition of any Obligor or any other proceedings involving any Obligor or any of the assets of any Obligor under laws for the protection of debtors, or any discharge, impairment, modification, release, or limitation of the liability of, or stay of actions or lien enforcement proceedings against, any Obligor, any properties of any Obligor, or the estate in bankruptcy of any Obligor in the course of or resulting from any such proceedings.

(ii) The failure by the Administrative Agent or any other Lender Party to file or enforce a claim in any proceeding described in the immediately preceding subsection (i) or to take any other action in any proceeding to which any Obligor is a party.

(iii) The release by operation of law of any Obligor from any of the Obligations or any other obligations to the Administrative Agent or any other Lender Party.

(iv) The invalidity, deficiency, illegality, or unenforceability of any of the Obligations or the Obligation Documents, in whole or in part, any bar by any statute of limitations or other law of recovery on any of the Obligations, or any defense or excuse for failure to perform on account of force majeure, act of God, casualty, impossibility, impracticability, or other defense or excuse whatsoever, other than the defense of payment having been made to the Lender Parties in accordance with this Guaranty or the Credit Agreement.

(v) The failure of any Obligor or any other Person to sign any guaranty or other instrument or agreement within the contemplation of any Obligor, the Administrative Agent or any other Lender Party.

(vi) The fact that the Guarantors may have incurred directly part of the Obligations or are otherwise primarily liable therefor.

(vii) Without limiting any of the foregoing, any fact or event (whether or not similar to any of the foregoing) which in the absence of this provision would or might constitute or afford a legal or equitable discharge or release of or defense to a guarantor or surety other than the actual payment by the Borrower of the Obligations or the actual payment by the Guarantors under this Guaranty.

(c) The Administrative Agent, on behalf of any Lender Party, may invoke the benefits of this Guaranty before pursuing any remedies against any Obligor or any other Person. The Administrative Agent, on behalf of any Lender Party, may maintain an action against any Guarantor on this Guaranty without joining any other Obligor therein and without bringing a separate action against any other Obligor.

(d) If any payment to any Lender Party by any Obligor is held to constitute a preference or a voidable transfer under applicable state or federal laws, or if for any other reason any Lender Party is required to refund such payment to the payor thereof or to pay the amount thereof to any other Person, such payment to such Lender Party shall not constitute a release of any Guarantor from any liability hereunder, and each Guarantor agrees to pay such amount to such Lender Party on demand and agrees and acknowledges that this Guaranty shall continue to be effective or shall be reinstated, as the case may be, to the extent of any such payment or payments. Any transfer by subrogation which is made as contemplated in Section 6 prior to any such payment or payments shall (regardless of the terms of such transfer) be automatically voided upon the making of any such payment or payments, and all rights so transferred shall thereupon revert to and be vested in the Lender Parties.

(e) This is a continuing guaranty and shall apply to and cover all Obligations and renewals and extensions thereof and substitutions therefor from time to time.

Section 4. Waiver. Each Guarantor hereby waives, with respect to the Obligations, this Guaranty, and the other Obligation Documents:

(a) notice of the incurrence of any Obligation by the Borrower, and notice of any kind concerning the assets, liabilities, financial condition, creditworthiness, businesses, prospects, or other affairs of the Borrower (it being understood and agreed that: (i) each Guarantor shall take full responsibility for informing itself of such matters, (ii) neither the Administrative Agent nor any Lender Party shall have any responsibility of any kind to inform any Guarantor of such matters, and (iii) the Administrative Agent and the other Lender Parties are hereby authorized to assume that each Guarantor, by virtue of its relationships with the Borrower which are independent of this Guaranty, has full and complete knowledge of such matters whenever any Lender Party extends credit to the Borrower or takes any other action which may change or increase any Guarantor's liabilities or losses hereunder).

(b) notice that the Administrative Agent, the other Lender Parties, any Obligor, or any other Person has taken or omitted to take any action under any Obligation Document or any other agreement or instrument relating thereto or relating to any Obligation.

(c) notice of acceptance of this Guaranty and all rights of each Guarantor under any statute or law discharging such Guarantor from liability hereunder for failure to sue on this Guaranty.

(d) default, demand, presentment for payment, and notice of default, demand, dishonor, nonpayment, or nonperformance.

(e) notice of intention to accelerate, notice of acceleration, protest, notice of protest, notice of any exercise of remedies (as described in the following Section 5 or otherwise), and all other notices of any kind whatsoever.

Section 5. Exercise of Remedies. The Administrative Agent, on behalf of any Lender Party, shall have the right to enforce, from time to time, in any order and at its sole discretion, any rights, powers and remedies which any Lender Party may have under the Obligation Documents or otherwise, including judicial foreclosure, the exercise of rights of power of sale, the taking of a deed or assignment in lieu of foreclosure, the appointment of a receiver to collect rents, issues and profits, the exercise of remedies against personal property, or the enforcement of any assignment of leases, rentals, oil or gas production, or other properties or rights, whether real or personal, tangible or intangible; and each Guarantor shall be liable to the Lender Parties hereunder for any deficiency resulting from the exercise by the Administrative Agent of any such right or remedy even though any rights which any Guarantor may have against the Borrower or others may be destroyed or diminished by exercise of any such right or remedy. No failure on the part of any Lender Party to exercise, and no delay in exercising, any right hereunder or under any other Obligation Document shall operate as a waiver thereof; nor shall any single or partial exercise of any right preclude any other or further exercise thereof or the exercise of any other right. The rights, powers and remedies of the Lender Parties provided herein and in the other Obligation Documents are cumulative and are in addition to, and not exclusive of, any other rights, powers or remedies provided by law or in equity. The rights of the Lender Parties hereunder are not conditional or contingent on any attempt by any Lender Party to exercise any of its rights under any other Obligation Document against any Obligor or any other Person.

Section 6. Limited Subrogation.

(a) Until all of the Obligations have been paid and performed in full, no Guarantor shall have any right to exercise any right of subrogation, reimbursement, indemnity, exoneration, contribution or any other claim which it may now or hereafter have against or to any Obligor in connection with this Guaranty (including any right of subrogation under any statute or other law), and each Guarantor hereby waives any rights to enforce any remedy which such Guarantor may have against the Borrower. If any amount shall be paid to any Guarantor on account of any such subrogation or other rights or any such other remedy at any time when all of the Obligations and all other expenses guaranteed pursuant hereto shall not have been paid in full, such amount shall be held in trust for the benefit of the Administrative Agent, shall be segregated from the

other funds of such Guarantor and shall forthwith be paid over to the Administrative Agent to be held by the Administrative Agent as collateral for, or then or at any time thereafter applied in whole or in part by the Administrative Agent against, all or any portion of the Obligations, whether matured or unmatured, in such order as the Administrative Agent shall elect.

(b) If any Guarantor shall make payment to the Administrative Agent of all or any portion of the Obligations and if all of the Obligations shall be finally paid in full, the Administrative Agent will, at such Guarantor's request and expense, execute and deliver to such Guarantor (without recourse, representation or warranty) appropriate documents necessary to evidence the transfer by subrogation to such Guarantor of an interest in the Obligations resulting from such payment by such Guarantor; provided that such transfer shall be subject to Section 3(d) above and that without the consent of the Administrative Agent (which the Administrative Agent may withhold in its discretion) such Guarantor shall not have the right to be subrogated to any claim or right against any Obligor which has become owned by the Administrative Agent or any Lender Party, whose ownership has otherwise changed in the course of enforcement of the Obligation Documents, or which the Administrative Agent otherwise has released or wishes to release from its Obligations.

(c) Upon full and final payment of the Obligations, each Guarantor which has made payments upon the Obligations shall be entitled to contribution from each other Guarantor hereunder, to the end that all such payments upon the Obligations shall be shared among all Guarantors in proportion to their respective Net Worths, provided that the contribution obligations of each Guarantor shall be limited to the maximum amount that it can pay at such time without rendering its contribution obligations voidable under applicable law relating to fraudulent conveyances or fraudulent transfers. As used in this subsection, the "Net Worth" of each Guarantor means, at any time, the remainder of (i) the fair value of such Guarantor's assets (other than such right of contribution), minus (ii) the fair value of such Guarantor's liabilities (other than its liabilities under its guaranty of the Obligations).

Section 7. Successors and Assigns. No Guarantor's rights or obligations hereunder may be assigned or delegated, but this Guaranty and such obligations shall pass to and be fully binding upon the successors of each Guarantor, as well as each Guarantor. This Guaranty shall apply to and inure to the benefit of each Lender Party and its successors or assigns, subject in all cases to the provisions of the Credit Agreement regarding assignment, participation, and transfer. Without limiting the generality of the immediately preceding sentence, each Lender Party may assign, grant a participation in, or otherwise transfer any Obligation held by it or any portion thereof, and each Lender Party may assign or otherwise transfer its rights or any portion thereof under any Obligation Document, to any other Person, subject in all cases to the provisions of the Credit Agreement regarding such assignment, participation, or transfer, and such other Person shall thereupon become entitled to all of the benefits in respect thereof granted to such Lender Party hereunder unless otherwise expressly provided by such Lender Party in connection with such assignment or transfer.

Section 8. Subordination and Offset. Each Guarantor hereby subordinates and makes inferior to the Obligations any and all indebtedness now or at any time hereafter owed by the Borrower to such Guarantor. Each Guarantor agrees that after the occurrence of any Default or Event of Default it will neither permit the Borrower to repay such indebtedness or any part

thereof nor accept payment from the Borrower of such indebtedness or any part thereof without the prior written consent of each Lender Party. If any Guarantor receives any such payment without the prior written consent of the Administrative Agent, the amount so paid shall be held in trust for the benefit of the Lender Parties, shall be segregated from the other funds of such Guarantor, and shall forthwith be paid over to the Administrative Agent to be held by the Administrative Agent as collateral for, or then or at any time thereafter applied in whole or in part by the Administrative Agent against, all or any portions of the Obligations, whether matured or unmatured, in such order as the Administrative Agent shall elect. Each Guarantor hereby grants to each Lender Party a right of offset, executable as set forth in the immediately succeeding sentence, to secure the payment of the Obligations and such Guarantor's obligations and liabilities hereunder, which right of offset shall be upon any and all monies, securities and other property (and the proceeds therefrom) of such Guarantor now or hereafter held or received by or in transit to any Lender Party from or for the account of such Guarantor, whether for safekeeping, custody, pledge, transmission, collection or otherwise, and also upon any and all deposits (general or special), credits and claims of such Guarantor at any time existing against any Lender Party. Upon the occurrence of any Event of Default, each Lender Party is hereby authorized at any time and from time to time, without notice to any Guarantor, to offset, appropriate and apply any and all items hereinabove referred to against the Obligations and the Guarantors' obligations and liabilities hereunder irrespective of whether or not such Lender Party shall have made any demand under this Guaranty and although such obligations and liabilities may be contingent or unmatured. Each Lender Party agrees promptly to notify the applicable Guarantor after any such offset and application made by such Lender Party, provided that the failure to give such notice shall not affect the validity of such offset and application. The rights of each Lender Party under this section are in addition to, and shall not be limited by, any other rights and remedies (including other rights of offset) which any Lender Party may have.

Section 9. Representations and Warranties. Each Guarantor hereby represents and warrants to each Lender Party as follows:

(a) Recitals 3, 4, and 5 at the beginning of this Guaranty are true and correct in all respects.

(b) Each of the representations and warranties contained in Article V of the Credit Agreement are true, insofar as they refer to each Guarantor, or to the assets, operations, conditions, agreements, business or actions of such Guarantor, as one of the Restricted Persons, or to the Loan Documents to which such Guarantor is a party.

(c) Upon the effectiveness of the Credit Agreement and the other Loan Documents to which each Guarantor is a party and the consummation of the transactions contemplated hereby and thereby, (i) each Guarantor will be solvent (as such term is used in applicable bankruptcy, liquidation, receivership, insolvency or similar Laws), and the sum of such Guarantor's absolute and contingent liabilities, including the Obligations or guarantees thereof, shall not exceed the fair market value of such Guarantor's assets (computed taking into account such Guarantor's rights of subrogation and contribution described in Section 6), and (ii) each Guarantor's capital should be adequate for the businesses in which such Guarantor is engaged and intends to be engaged. No Guarantor has incurred (whether hereunder, under the other Loan Documents to

which it is a party or otherwise), nor does any Guarantor intend to incur or believe that it will incur, debts that will be beyond its ability to pay as such debts mature.

Section 10. Covenants. Each Guarantor hereby agrees to observe and comply with each of the covenants and agreements made in the Credit Agreement, insofar as they refer to such Guarantor, or the assets, obligations, conditions, agreements, business, or actions of such Guarantor, as one of the Restricted Persons, or to the Loan Documents to which such Guarantor is a party.

Section 11. Amendments; Guaranty Supplements. No amendment of any provision of this Guaranty shall be effective unless it is in writing and signed by the Guarantors and the Administrative Agent, and no waiver of any provision of this Guaranty, and no consent to any departure by any Guarantor therefrom, shall be effective unless it is in writing and signed by the Administrative Agent, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given and to the extent specified in such writing. In addition, all such amendments and waivers shall be effective only if given with the necessary approvals of the Lenders as required in Section 10.01 of the Credit Agreement. Upon the execution and delivery by any Person of a guaranty supplement in substantially the form of Exhibit A hereto (each, a "Guaranty Supplement"), (i) such Person shall be referred to as an "Additional Guarantor" and shall become and be a Guarantor hereunder, and each reference in this Guaranty to a "Guarantor" shall also mean and be a reference to such Additional Guarantor, and each reference in any other Loan Document to a "Guarantor" shall also mean and be a reference to such Additional Guarantor, and (ii) each reference herein to "this Guaranty," "hereunder," "hereof" or words of like import referring to this Guaranty and each reference in any other Loan Document to the "Guaranty," "thereunder," "thereof" or words of like import referring to this Guaranty, shall mean and be a reference to this Guaranty as supplemented by such Guaranty Supplement.

Section 12. Severability. If any provision of this Guaranty is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Guaranty shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions, the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 13. Interpretive Provisions. With reference to this Guaranty:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (ii) any reference herein to any

Person shall be construed to include such Person's successors and assigns, (iii) the words "herein," "hereof" and "hereunder," and words of similar import, shall be construed to refer to this Guaranty in its entirety and not to any particular provision thereof, (iv) all references in this Guaranty to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Guaranty in which such references appear, (v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (vi) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including;" the words "to" and "until" each mean "to but excluding;" and the word "through" means "to and including."

(c) Section headings herein are included for convenience of reference only and shall not affect the interpretation of this Guaranty.

Section 14. Term. This Guaranty shall be irrevocable until all of the Obligations have been completely and finally paid and performed, no Lender Party has any obligation to make any loans or other advances or to extend credit to the Borrower, and all obligations and undertakings of the Borrower under, by reason of, or pursuant to the Obligation Documents have been completely performed, and this Guaranty is thereafter subject to reinstatement as provided in Section 3(d). All extensions of credit and financial accommodations heretofore or hereafter made by the Administrative Agent and the other Lender Parties to the Borrower shall be conclusively presumed to have been made in acceptance hereof and in reliance hereon. Notwithstanding the foregoing, the Administrative Agent may from time to time release one or more Guarantors from its obligations under this Guaranty as permitted in Section 9.10 of the Credit Agreement.

Section 15. Notices. All notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier addressed (a) to the Administrative Agent at the address listed in the Credit Agreement and (b) to Guarantor at the address listed on Guarantor's signature page hereto or to such other address or to the attention of such other individual as hereafter shall be designated in writing by the applicable party sent in accordance herewith. Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient).

Section 16. Limitation on Interest. The Lender Parties and the Guarantors intend to contract in strict compliance with applicable usury law from time to time in effect, and the provisions of the Credit Agreement limiting the interest for which any Guarantor is obligated are expressly incorporated herein by reference.

Section 17. Loan Document. This Guaranty is a Loan Document, as defined in the Credit Agreement, and is subject to the provisions of the Credit Agreement governing Loan Documents. Each Guarantor hereby approves the Credit Agreement and the other Loan Documents and hereby ratifies and confirms any provisions thereof which relate to such Guarantor.

Section 18. Counterparts; Effectiveness. This Guaranty may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Guaranty by telecopy shall be effective as delivery of a manually executed counterpart of this Guaranty.

Section 19. Expenses; Indemnity; Damage Waiver.

(a) Costs and Expenses. Each Guarantor shall pay all reasonable out-of-pocket expenses incurred by the Administrative Agent, any Lender or the LC Issuer (including the fees, charges and disbursements of any counsel for the Administrative Agent, any Lender or the LC Issuer), and shall pay all fees and time charges for attorneys who may be employees of the Administrative Agent, any Lender or the LC Issuer, in connection with the enforcement or protection of its rights in connection with this Guaranty, including its rights under this Section, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of the Obligations.

(b) Indemnification. Each Guarantor shall indemnify the Administrative Agent (and any sub-agent thereof), each Lender and the LC Issuer, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of any counsel for any Indemnitee), and shall indemnify and hold harmless each Indemnitee from all fees and time charges and disbursements for attorneys who may be employees of any Indemnitee, incurred by any Indemnitee or asserted against any Indemnitee by any third party or by any Guarantor arising out of, in connection with, or as a result of (i) the execution or delivery of this Guaranty, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Loan or Letter of Credit or the use or proposed use of the proceeds therefrom, (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower or any of its Subsidiaries, or any Liability under Environmental Law related in any way to the Borrower or any of its Subsidiaries, (iv) any civil penalty or fine assessed by the U. S. Department of the Treasury's Office of Foreign Assets Control against, and all reasonable costs and expenses (including counsel fees and disbursements) incurred in connection with defense thereof by the Administrative Agent, the LC Issuer or any Lender as a result of the funding of Loans, the issuance of Letters of Credit, or the acceptance of payments under the Loan Documents, or (v) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower, any Guarantor, or any other Restricted Person, and regardless of whether any Indemnitee is a party thereto, in all cases, whether or not caused by or arising, in whole or in part, out of the comparative,

contributory or sole negligence of the Indemnitee; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by the Borrower, any Guarantor, or any other Restricted Person against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, if the Borrower, such Guarantor, or such Restricted Person has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction.

(c) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable law, each Guarantor shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Guaranty, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof. No Indemnitee referred to in subsection (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Guaranty or the other Loan Documents or the transactions contemplated hereby or thereby.

(d) Payments. All amounts due under this Section shall be payable not later than ten Business Days after demand therefor.

(e) Survival. The agreements in this Section shall survive the resignation of the Administrative Agent, the replacement of any Lender, the termination of the Aggregate Commitments, the Credit Agreement and/or this Guaranty, and the repayment, satisfaction or discharge of all the other Obligations.

Section 20. GOVERNING LAW; JURISDICTION; ETC.

(a) GOVERNING LAW. THIS GUARANTY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

(b) SUBMISSION TO JURISDICTION. EACH OF THE UNDERSIGNED IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTY OR ANY OTHER LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE UNDERSIGNED IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT.

EACH OF THE UNDERSIGNED AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS GUARANTY OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT, ANY LENDER OR THE LC ISSUER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS GUARANTY OR ANY OTHER LOAN DOCUMENT AGAINST ANY GUARANTOR OR ANY OF THEIR PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) WAIVER OF VENUE. EACH OF THE UNDERSIGNED IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTY OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN PARAGRAPH (B) OF THIS SECTION. EACH OF THE UNDERSIGNED HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) SERVICE OF PROCESS. EACH OF THE UNDERSIGNED IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 15. NOTHING IN THIS GUARANTY WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

Section 21. WAIVER OF JURY TRIAL. EACH GUARANTOR HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS GUARANTY OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY THEORY). EACH GUARANTOR HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS GUARANTY AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 22. **FINAL AGREEMENT. THIS GUARANTY AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES HERETO AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES HERETO. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES HERETO.**

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, each Guarantor has executed and delivered this Guaranty as of the date first written above.

LA GRANGE ACQUISITION, L.P.

By: LA GP, LLC, its general partner

By: _____
H. Michael Krimbill
Chief Financial Officer

ETC GAS COMPANY, LTD.
ETC TEXAS PIPELINE, LTD.
ETC TEXAS PROCESSING, LTD.
ETC KATY PIPELINE, LTD.

By: LG PL, LLC, their general partner

By: _____
H. Michael Krimbill
Chief Financial Officer

ETC MARKETING, LTD.

By: LGM, LLC, its general partner

By: _____
H. Michael Krimbill
Chief Financial Officer

ETC OASIS, L.P.

By: ETC OASIS GP, LLC, its general partner

By: _____
H. Michael Krimbill
Chief Financial Officer

OASIS PIPELINE, LP

By: ETC OASIS GP, LLC, its general partner

By: _____
H. Michael Krimbill
Chief Financial Officer

WHISKEY BAY GAS COMPANY, LTD.
WHISKEY BAY GATHERING COMPANY, LTD.
CHALKLEY TRANSMISSION COMPANY, LTD.
ET COMPANY I, LTD.

By: FIVE DAWACO, LLC, their general partner

By: _____
H. Michael Krimbill
Chief Financial Officer

TEXAS ENERGY TRANSFER COMPANY, LTD.

By: TETC, LLC, its general partner

By: _____
H. Michael Krimbill
Chief Financial Officer

OASIS PIPE LINE COMPANY

By: _____
H. Michael Krimbill
Chief Financial Officer

OASIS PIPE LINE FINANCE COMPANY

By: _____
H. Michael Krimbill
Chief Financial Officer

OASIS PARTNER COMPANY

By: _____
H. Michael Krimbill
Chief Financial Officer

OASIS PIPE LINE MANAGEMENT COMPANY

By: _____
H. Michael Krimbill
Chief Financial Officer

OASIS PIPE LINE COMPANY TEXAS L.P.

By: OASIS PIPE LINE MANAGEMENT COMPANY, its general partner

By: _____
H. Michael Krimbill
Chief Financial Officer

LG PL, LLC

By: _____
H. Michael Krimbill
Chief Financial Officer

LGM, LLC

By: _____
H. Michael Krimbill
Chief Financial Officer

ETC OASIS GP, LLC

By: _____
H. Michael Krimbill
Chief Financial Officer

FIVE DAWACO, LLC

By: _____
H. Michael Krimbill
Chief Financial Officer

TETC, LLC

By: _____
H. Michael Krimbill
Chief Financial Officer

ENERGY TRANSFER FUEL, LP
ET FUEL PIPELINE, L.P.

By: ENERGY TRANSFER FUEL GP, LLC,
their general partner

By: _____
H. Michael Krimbill
Chief Financial Officer

ENERGY TRANSFER FUEL GP, LLC

By: _____
H. Michael Krimbill
Chief Financial Officer

HPL HOLDINGS GP, L.L.C.

By: _____
H. Michael Krimbill
Chief Financial Officer

HP HOUSTON HOLDINGS, L.P.
HPL CONSOLIDATION LP

By: HPL HOLDINGS GP, L.L.C.,
their general partner

By: _____
H. Michael Krimbill
Chief Financial Officer

HPL STORAGE GP LLC

By: _____
H. Michael Krimbill
Chief Financial Officer

HPL ASSET HOLDINGS LP
HPL LEASECO LP

By: HPL STORAGE GP LLC,
their general partner

By: _____
H. Michael Krimbill
Chief Financial Officer

HPL GP, LLC

By: _____
H. Michael Krimbill
Chief Financial Officer

HOUSTON PIPE LINE COMPANY LP
HPL RESOURCES COMPANY LP
HPL GAS MARKETING LP

By: HPL GP, LLC,
their general partner

By: _____
H. Michael Krimbill
Chief Financial Officer

HPL HOUSTON PIPE LINE COMPANY, LLC

By: _____
H. Michael Krimbill
Chief Financial Officer

TITAN ENERGY PARTNERS, L.P.

By: TITAN ENERGY GP, L.L.C., its general partner

By: _____
H. Michael Krimbill
Chief Financial Officer

TITAN ENERGY GP, L.L.C.

By: _____
H. Michael Krimbill
Chief Financial Officer

TITAN PROPANE LLC

By: _____
H. Michael Krimbill
Chief Financial Officer

TITAN PROPANE SERVICES, INC.

By: _____
H. Michael Krimbill
Chief Financial Officer

Address of the Guarantors:

8801 South Yale Avenue, Suite 310
Tulsa, Oklahoma 74137
Attention: Chief Financial Officer

Telephone: (918) 492-7272
Fax: (918) 493-7290

AGREED TO as of the date
First written above:

WACHOVIA BANK,
NATIONAL ASSOCIATION,
as the Administrative Agent

By: _____
Name:
Title:

EXHIBIT A

FORM OF GUARANTY SUPPLEMENT

_____, 20__

Wachovia Bank, National Association, as the Administrative Agent
301 South College Street
Sixth Floor
Charlotte, North Carolina 28288

Re: Amended and Restated Credit Agreement, dated as of June 29, 2006 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Credit Agreement"), among Energy Transfer Partners, L.P., a Delaware limited partnership (the "Borrower"), Wachovia Bank, National Association, as the Administrative Agent, the LC Issuer and Swingline Lender, the Co-Syndication Agents, the Co-Documentation Agents and the Senior Managing Agents named therein and the Lenders from time to time party thereto

Ladies and Gentlemen:

Reference is made to the Credit Agreement and to that certain Guaranty of even date therewith, originally executed by La Grange Acquisition, L.P., a Texas limited partnership, ETC Gas Company, Ltd., a Texas limited partnership, ETC Texas Pipeline, Ltd., a Texas limited partnership, ETC Katy Pipeline, Ltd., a Texas limited partnership, ETC Marketing, Ltd., a Texas limited partnership, ETC Oasis, L.P., a Delaware limited partnership, Whiskey Bay Gas Company, Ltd., a Texas limited partnership, Whiskey Bay Gathering Company, Ltd., a Texas limited partnership, Chalkley Transmission Company, Ltd., a Texas limited partnership, Texas Energy Transfer Company, Ltd., a Texas limited partnership, ET Company I, Ltd., a Texas limited partnership, Energy Transfer Fuel, LP, a Delaware limited partnership, Oasis Pipeline, LP, a Texas limited partnership, Oasis Pipe Line Company Texas L.P., a Texas limited partnership, ETC Texas Processing, Ltd., a Texas limited partnership, Oasis Pipe Line Company, a Delaware corporation, Oasis Pipe Line Finance Company, a Delaware corporation, Oasis Partner Company, a Delaware corporation, Oasis Pipe Line Management Company, a Delaware corporation, LG PL, LLC, a Texas limited liability company, LGM, LLC, a Texas limited liability company, ETC Oasis GP, LLC, a Texas limited liability company, Five Dawaco, LLC, a Texas limited liability company, TETC, LLC, a Texas limited liability company, and Energy Transfer Fuel GP, LLC, a Delaware limited liability company, ET Fuel Pipeline, L.P., a Delaware limited partnership, HPL Holdings GP, L.L.C., a Delaware limited liability company, HP Houston Holdings, L.P., a Delaware limited partnership, HPL Consolidation LP, a Delaware limited partnership, HPL Storage GP LLC, a Delaware limited liability company, HPL GP, LLC, a Delaware limited liability company, HPL Asset Holdings LP, a Delaware limited partnership, HPL Leaseco LP, a Delaware limited partnership, Houston Pipeline Company LP, a Delaware limited partnership, HPL Resources Company LP, a Delaware limited partnership, HPL Gas Marketing LP, a Delaware limited partnership, HPL Houston Pipe Line Company, LLC, a Delaware limited liability company, Titan Energy Partners, L.P., a Delaware limited partnership,

Titan Energy GP, L.L.C., a Delaware limited liability company, Titan Propane LLC, a Delaware limited liability company and Titan Propane Services, Inc., a Delaware corporation in favor of the Administrative Agent, for the benefit of the Lenders (as heretofore amended, supplemented, modified or restated, the "Original Guaranty"; such Original Guaranty, as in effect on the date hereof and as it may hereafter be amended, supplemented or otherwise modified from time to time, together with this Guaranty Supplement, being the "Guaranty"). The capitalized terms defined in the Guaranty or in the Credit Agreement and not otherwise defined herein are used herein as therein defined.

Section 1. Guaranty.

(a) The undersigned hereby irrevocably, absolutely, and unconditionally guarantees to each Lender Party the prompt, complete, and full payment when due, and no matter how the same shall become due, of:

(i) all Obligations, as defined in the Credit Agreement, including all principal of, all interest on, and all other sums payable in connection therewith; and

(ii) all the LC Obligations, including all obligations of the Borrower to make reimbursements and other payments to the LC Issuer and to the Lenders in respect of Letters of Credit issued pursuant to the Credit Agreement;

(iii) all the Swingline Loans, including all obligations of the Borrower to make reimbursements and other payments to the Swingline Lender in respect of Swingline Loans issued pursuant to the Credit Agreement;

(iv) all other sums payable under the other Loan Documents, whether for principal, interest, fees or otherwise; and

(v) any and all other indebtedness, obligations or liabilities which may at any time be owed to any Lender Party, whether incurred heretofore or hereafter or concurrently herewith, under or pursuant to any of the Loan Documents, and including interest, reasonable attorneys' fees and collection costs as may be provided by law or in any instrument or agreement evidencing any such indebtedness or liability.

Without limiting the generality of the foregoing, the liability hereunder of each of the undersigned shall extend to and include all post-petition interest, expenses, and other duties and liabilities of the Borrower described above in this subsection (a), or below in the following subsection (b), which would be owed by the Borrower but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization, or similar proceeding involving the Borrower.

(b) The undersigned hereby irrevocably, absolutely, and unconditionally guarantees to each Lender Party the prompt, complete and full payment, when due, and no matter how the same shall become due, of all obligations and undertakings of the Borrower to such Lender Party under, by reason of, or pursuant to any of the Obligation Documents.

(c) If the Borrower shall for any reason fail to pay any Obligation, as and when such Obligation shall become due and payable, whether at its stated maturity, as a result of the exercise of any power to accelerate, or otherwise, each of the undersigned will, upon demand by the Administrative Agent, pay such Obligation in full to the Administrative Agent for the benefit of the Lender Party to whom such Obligation is owed.

(d) If either the Borrower or any of the undersigned fail to pay any Obligation as described in the immediately preceding subsections (a), (b), or (c), each of the undersigned will incur the additional obligation to pay to the Administrative Agent, and each of the undersigned will forthwith upon demand by the Administrative Agent pay to the Administrative Agent, the amount of any and all reasonable expenses, including fees and disbursements of the Administrative Agent's counsel and of any experts or agents retained by the Administrative Agent, which the Administrative Agent may incur as a result of such failure.

(e) As between the undersigned and each Lender Party, this Guaranty shall be considered a primary and liquidated liability of each Guarantor.

(f) The liability of each of the undersigned hereunder shall be limited to the maximum amount of liability that can be incurred without rendering this Guaranty, as it relates to such Person, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer, and not for any greater amount.

(g) The books and records of the Lender Parties showing the amount of any of the Obligations shall be admissible in evidence in any action or proceeding, and shall be binding upon the Guarantors and conclusive for the purpose of establishing the amount of the Obligations.

Section 2. Obligations Under the Guaranty. The undersigned hereby agrees, as of the date first above written, to be bound as a Guarantor by all of the terms and conditions of the Guaranty to the same extent as each of the other Guarantors thereunder. The undersigned further agrees, as of the date first above written, that each reference in the Guaranty to an "Additional Guarantor" or a "Guarantor" shall also mean and be a reference to the undersigned, and each reference in any other Loan Document to a "Guarantor" shall also mean and be a reference to the undersigned.

Section 3. Counterparts; Effectiveness. This Guaranty Supplement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Guaranty Supplement by telecopy shall be effective as delivery of a manually executed counterpart of this Guaranty Supplement.

Section 4. GOVERNING LAW; SUBMISSION TO JURISDICTION.

(a) GOVERNING LAW. THIS GUARANTY SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

(b) SUBMISSION TO JURISDICTION. EACH OF THE UNDERSIGNED IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTY SUPPLEMENT OR ANY OTHER LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE UNDERSIGNED IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE UNDERSIGNED AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS GUARANTY SUPPLEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT, ANY LENDER OR THE LC ISSUER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS GUARANTY SUPPLEMENT OR ANY OTHER LOAN DOCUMENT AGAINST ANY OF THE UNDERSIGNED OR ANY OF THEIR PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) WAIVER OF VENUE. EACH OF THE UNDERSIGNED IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTY SUPPLEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN PARAGRAPH (B) OF THIS SECTION. EACH OF THE UNDERSIGNED HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) SERVICE OF PROCESS. EACH OF THE UNDERSIGNED HEREBY IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 15 OF THE GUARANTY. NOTHING IN THIS GUARANTY SUPPLEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

Section 5. WAIVER OF JURY TRIAL. EACH OF THE UNDERSIGNED HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS GUARANTY SUPPLEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY THEORY). EACH OF THE UNDERSIGNED HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER

PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS GUARANTY SUPPLEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 6. **FINAL AGREEMENT. THIS GUARANTY SUPPLEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES HERETO AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES HERETO. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES HERETO.**

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the undersigned has executed and delivered this Guaranty Supplement as of the date first written above.

Very truly yours,

[NAME OF ADDITIONAL GUARANTOR]

By: _____
Name:
Title:.

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, 2006

/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, 2006

/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, H. Michael Krimbill, 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, 2006

/s/ H. Michael Krimbill
H. Michael Krimbill
President and 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, 2006 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, 2006

/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, 2006 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, 2006

/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, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, H. Michael Krimbill, President, 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, 2006

/s/ H. Michael Krimbill
H. Michael Krimbill
President and 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.